Accountancy

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Professional Notes

Companies in 1953

THE NUMBER OF PUBLIC COMPANIES IN GREAT BRITAIN AND IRELAND IS ON THE decline. At the end of last year there were on the register 11,444 public companies with a share capital; the corresponding figure at the end of 1952 was 11,587 and at the end of 1939 it was 13,920. The total paid-up capital of public companies, at £4,062 million, was rather higher at the end of last year than a year previously, when it was £3,970 million, but less than at the end of 1939, when it totalled £4,117 million.

Private companies, however, continued to increase both in numbers and in capital. At the end of 1953, there were 258,825 private companies with a share capital, compared with 250,927 in 1952 and only 146,735 in 1939. The paid-up capital was £2,350 million at the end of 1953, £2,330 million in 1952 and £1,923 million in 1939. Of the private companies at the end of 1953, 196,837 (76 per cent. of the total) were exempt private companies.

The number of companies, public and private, registered last year was 13,329—a higher total than in 1952, when it was 12,296, but lower than in previous years.

No less than 5,800 names submitted for companies were refused by the Board of Trade, about 5,100 of them because of similarity with names already on the Register.

There were 548 persons at the end of last year authorised by the Board of Trade under Section 161(1)(*b*) of the Companies Act of 1948 for appointment as company auditors although not members of one of the recognised bodies of accountants. Of this total, which was 48 more than a year earlier, 261 were authorised as having similar qualifications obtained outside the United Kingdom, 259 as having practised as an accountant in Great Britain before August 6, 1947, and 28 as having obtained adequate knowledge and experience in the employment of a member of a recognised body of accountants.

A remarkable feature of company affairs in this country is that so few official inspections have taken place. Of 90 new applications for the appointment of Inspectors in 1953 and 15 applications carried over from the preceding year, 43 were refused and 44 were either dropped or disposed of after discussion with the parties. Only two appointments of Inspectors were made under Section 164 of the Act of 1948. Sixteen applications were outstanding at the end of the year. A single Inspector was appointed under Section 172 of the Act in the *cause célèbre*, the *Savoy Hotel* case.

The number of prosecutions by the Board of Trade for alleged breaches of the Act of 1948 was 496 last year, against 392 in 1952. The Board obtained 437 convictions—207 of them for failure to file annual returns under Section 126, 84 for failure by voluntary liquidators to file accounts under Section 342, 71 for failure to file returns of directors and secretaries or of changes under Section 200, and 29 for failure to notify the Registrar of the situation of the registered office or of any change in it under Section 107(2).

These statistics and many others are given in the *Companies Annual General Report* of the Board of Trade for the year ended December 31, 1953 (Her Majesty's Stationery Office, Price 1s. 6d. net).

Endorsements on Cheques

If he finds that there are good chances of its having an unopposed passage, Mr. Graham Page, M.P., will introduce

a private member's Bill in the next session of Parliament to enact that, if a cheque is paid direct into the payee's bank account, the payee need not endorse it. The Bill would amend Section 77 of the Bills of Exchange Act, 1882, by providing that the bank's normal marking of the cheque would act as an endorsement.

The possibility of making this change in the law has been discussed for many years: the advantages claimed are that it would save considerable time both in business houses and in the banks and it might bring added safety, for at present a cheque, especially an uncrossed cheque, between endorsement and payment into a bank is somewhat vulnerable. On the other hand some practical difficulties will have to be overcome. Some business associations have already expressed opinions in favour of the change. The *Federation of British Industries* has two provisos. First, that the advantages of giving receipts on the backs of cheques should be retained, possibly by its being provided in the Bill that endorsement is required if so stated on the face of the cheque. Second, that the cheque would presumably have to be endorsed by the bank to the effect that the payee was a customer of the endorsing bank.

It is understood that the *Committee of London Clearing Bankers* will support the Bill, if there is evidence that "everyone" wants it. Our impression is that the Bill would certainly be generally welcomed in the accountancy profession.

Lawyers *versus* Accountants in the U.S.A.

The accountancy profession in the United States is facing a serious threat to its right to assist taxpayers in preparing their Federal tax returns and in settling their tax liabilities. From time to time, lawyers have advocated Federal legislation to narrow the scope permitted to non-lawyers in tax matters, and during the past ten years there have been a number of decisions in the local courts restricting accountants' activities. These decisions culminated in the case of *Agran* v. *Shapiro* in the State of California in June last, when a Certified Public Accountant enrolled by the United States Treasury Department was attacked for doing what accountants have been doing for 40 years in every State in the Union, and was held to be engaged in an unauthorised "practice of law" when he settled with the Internal Revenue for a client a question involving the carrying-back of an operating loss. This decision, which followed a brief filed by the State Bar Association, was largely based upon an obscure proviso in a Treasury circular, that nothing in the regulations should be construed as "authorising persons not members of the bar to practise law." It was held by the California Court that since only the State Courts could decide what was "practice of law" the Treasury meant to leave it to those Courts to decide what enrolled agents could or could not do in tax matters.

In a statement to its 24,000 members, the American Institute of Accountants says:—

> The implications are clearly serious. If the State Courts can nullify our members' Treasury cards, the whole accounting profession faces a chaotic situation. We cannot believe that the Treasury intended to invite State courts to take away from enrolled agents the authorisation which the Treasury itself has given them. But unless this question is clarified soon litigation similar to the *Agran* case is likely in many States.

The Secretary of the United States Treasury is about to revise the Treasury regulations and it will soon be known whether he will accede to the request of the American Institute that they should be clarified so as to permit enrolled accountants to continue to represent clients before the Treasury as that Department has always permitted them to do. Meanwhile, a Bill which has been introduced into the House of Representatives and the Senate would make it clear that the Treasury has authority to regulate Federal tax practice and that Congress does not intend this practice to be a monopoly of any profession. But the House of Delegates of the American Bar Association decided at its recent annual general meeting to oppose the Bill, and strongly attacked the accountants. The American Institute of Accountants is now seeking public support for the rights of the accountancy profession.

Selling and Distribution Costs

The fifth residential summer school of the Institute of Cost and Works Accountants, held at St. Catharine's College, Cambridge, in September, concentrated on the theme of selling and distribution costs. The school was opened by the President of the Institute, Mr. W. E. Harrison, F.C.W.A.

Mr. W. L. Spalding, B.SC.(ECON.), C.A., F.C.W.A., gave an address on *Problems of Compilation of Selling and Distribution Costs*. He said that the accounting records should follow the structure of departments in the business, and accounts should be coded so that figures relating to particular sections or types of expenditure could be readily extracted.

Standard costs and budgetary control could be used; but standard costs, while valuable in controlling costs of distribution, were not well suited to selling costs. Sales bore no certain relationship to expenditure on advertising and sales promotion. Budgets should be prepared for these items and the accountant should act as a counterbalance to excessive optimism or pessimism in other departments.

Mr. Spalding dealt with problems arising in preparing the advertising budget and in allocating the total expenditure between periods and products; salesmen's remuneration and entertaining expenses, and control of their time; comparative costs of different methods of delivery; additional costs of selling to foreign countries; returnable containers; discounts; sales to associated companies; and the cost of holding finished stocks.

The Interpretation and Use of Selling and Distribution Costs was the subject of a paper by Mr. J. D. Gould, F.C.W.A. He pointed out that selling and distribution were more difficult to control than manufacturing, which was concentrated and subject to close supervision.

The object of presenting information was to promote action. Figures must be related to the structure of the business and compared with what they ought to have been; remedial action must go to the activity behind the expenditure. In retailing, expense control could not be divorced from profit control. Restriction of expenditure might result in a disproportionate loss of profit. The majority of the items of expenditure outside the cost of goods were fixed or inelastic, rather than

variable. Some items could be allocated to departments or groups of commodities; but prestige and commodity advertising were difficult to distinguish, as advertising of one item might be designed to draw customers into the shops.

In wholesaling, or in the distributing end of a concern manufacturing consumer goods, the volume of expenditure was more elastic. The business must send out salesmen instead of waiting for customers to walk in. Sales expenses could be analysed and compared by areas, but in interpretation allowance must be made for varying distances to be covered and other factors. Results must be judged by the value of orders taken.

The cost and advantages of distribution centres must be reviewed regularly. An extensive advertising campaign for consumer goods should be carefully planned and the results monitored to show the ratio of expense to effective sales. The budget was essential to control, but was often regarded by the sales side as an object of mystery. Analysis of selling and distribution expenditure should lead to increased efficiency, but this was not always the most significant factor affecting profit earnings.

Mr. F. Spink, F.C.W.A., spoke on *The Uses of Costs in the Fixing of Prices, with particular reference to the Use of Marginal Costing*. He emphasised that his own experience over a long period of years had proved the value of marginal costs in showing clearly the bottom limit of price and the area for manœuvre. Marginal costing was not a new or distinct system, but a commonsense application of costing principles, to be used as a supplement to more orthodox methods. Its basis was the separation of variable and fixed costs. That these terms were not precise was not a serious weakness, provided there was consistency in classification and account was taken of additions to be anticipated to fixed costs. There was great advantage in considering separately the "gross margin" (excess of net selling price over variable costs) and the total fixed costs, deduction of which from gross margin gave the net profit.

Marginal costing was not dangerous, but was a safeguard against the dangers of a rigid cost system, which would suggest a need for higher prices when the volume of sales was falling.

The last lecture of the course, given by Mr. F. C. Hooper, B.SC., had the title *What the Sales Side Wants from the Accountant*. Mr. Hooper felt that the nation had underestimated the art of selling and had dangerously overemphasised the importance of efficiency in production. Integration of the two sides must start with the estimate of the market and of sales which production would be called upon to meet.

The accountant should recognise the type of men who made up the sales side. The sales representative, extrovert and vigorous, should be called on for the minimum figure activity. But the sales manager should be a good figure man, and there must be close association and understanding between him and the chief accountant. The sales side wanted from the accountant facts and figures, as accurate as they could be made, presented in assimilable form at the right time, plus willing cooperation, understanding and vision.

The Association's Jubilee

The Association of Certified and Corporate Accountants will celebrate its golden jubilee in London during the period from November 30 to December 2 next. Guests have been invited from accountancy bodies in twenty-six oversea countries and from accountancy and kindred bodies in the United Kingdom. Other distinguished guests from civil and public life, Parliament and Government Departments will also attend.

The first event on the morning of Tuesday, November 30, will be a service of thanksgiving and commemoration at St. Martin-in-the-Fields, conducted by the Vicar, the Rev. L. M. Charles-Edwards. In the afternoon, an address of welcome will be delivered at the opening session to be held in Church House, Westminster, and this will be followed by afternoon tea. In the evening there will be a Jubilee Banquet in Guildhall. On Wednesday, December 1, a business session will take place in the morning, when Mr Roy Harrod, F.B.A., will speak on *The Next Fifty Years*. The President's Reception will be held in the evening in the Hall of a City livery company. All-day visits to places of interest in and around London have been arranged for Thursday, December 2, and the celebrations will end with a Jubilee Ball to be held that evening at Grosvenor House, Park Lane.

A short history of the Association's first fifty years, during which its membership grew from 312 to 9,072, is soon to be published.

Nederlands Institute Accountants' Day, 1954

Professor F. Sewell Bray, the Stamp-Martin Professor of Accounting, accompanied by Mrs. Bray, represented the Society of Incorporated Accountants at the Accountants' Day of the *Nederlands Instituut van Accountants*, held in Amsterdam on October 9.

In his opening speech the President of the Institute, Mr. Besancon, reminded the assembly that the Institute was founded in 1895 and would be celebrating its sixtieth anniversary in May of next year. He said that one of the objects of the annual accountants' day was to establish and maintain contact between economic life and the profession, and he emphasised the dependence of professional service on the dynamic nature of economic life.

In keeping with these views, Professor H. J. Witteveen gave the morning paper. He asked the question: Has the world economy become less sensitive to business cycles?, and answered it on Keynesian lines. He concluded that a really serious depression was improbable in the immediate future, but that slight recessions would occur. There could be little disagreement with his argument provided that the American economy is looked upon as the decisive factor affecting the world economy, and that the notion of "built-in stability," principally determined by government expenditure, is generally accepted as a permanent fiscal concept. It would have been instructive to learn Professor Witteveen's views on the rise of undeveloped countries and on the accounting implications of his argument.

The afternoon paper was given by Mr. P. J. H. J. Bos on "The Structure of the Doctrine of Auditing and its Application." He said that the doctrine of auditing should be so organised that the operations of the auditor could be defined objectively.

The guests of the Nederlands Institute had a happy time on their visit, and made many friendships.

Claims for Planning Grants

To obtain grants, under Section 93 of the Town and Country Planning Act, 1947, for the acquisition and clearing of land for the redevelopment as a whole of areas of derelict land or of extensive war damage, bad layout or obsolete development, local authorities must complete Form G.93 of the Ministry of Housing and Local Government. To complete the form, and its four supporting schedules, requires much labour, and some simplification of the information required by the Ministry would produce desirable savings in man-power in the offices of local authorities. However, it is only in the completion of Schedule Z, showing the computation of annual loan charges, that complications are likely to occur.

The regulations provide that the notional loan charges will be assessed on the annuity basis over a period of 60 years at a rate of interest equivalent to that charged by the Public Works Loan Board on 60 year loans. If a change in the rate of interest is made before the end of the twelfth year, the amount on which notional loan charges will be calculated will be apportioned between the periods before and from the date of the change in the ratio of the sums borrowed (or treated as borrowed) in the two periods. The loan charges are then calculated on the apportioned amounts at the interest rates for those periods.

The rate of interest charged by the Board has changed no less than four times since schemes were commenced in 1948. From November 10, 1951, it was $3\frac{3}{4}$ per cent.; from February 9, 1952, $4\frac{1}{4}$ per cent.; from October 20, 1953, 4 per cent.; and from June 4, 1954, $3\frac{7}{8}$ per cent. Each year's claim must therefore show the expenditure apportioned between the above dates, and the total expenditure to the end of the year of claim must agree with the total of the apportioned amounts. The amount of loan charges to be claimed is an equated figure worked out as follows. Assume the amounts of expenditure for the periods above are a, b, c, and d; total expenditure to end of year of claim will be a+ b + c +d, and the annuity figures for the various rates of interest are 4·213 per cent., 4·631 per cent., 4·420 per cent. and 4·213 per cent. The grant for the year 1954-55 will be $\frac{a}{a+b+c+d} \times$ average balance $\times$ 4·213 per cent., plus $\frac{b}{a+b+c+d} \times$ average balance $\times$ 4·631 per cent., plus $\frac{c}{a+b+c+d} \times$ average balance $\times$ 4·420 per cent., plus $\frac{d}{a+b+c+d} \times$ average balance $\times$ 4·213 per cent. The "average balance," of course, is the average balance for the year of claim.

The claim should be prepared on the basis of the redevelopment capital account maintained under the provisions of the explanatory memorandum to the Town and Country Planning (Grants) Regulations, 1950, and the chief financial officer of the authority has to certify that the conditions of the regulations and memorandum have been complied with. For the year in which grant commences (that is, 12 months after the date of confirmation of the compulsory purchase order), the first balance to be taken into account in calculating the average, for purposes of Statement II of Form G.93 as well as Schedule Z, must be that "at the end of the first quarter after the commencing date for grant." This statement is ambiguous, but the most obvious interpretation would be to take the balance at the end of the first full quarter occurring after the commencing date for grant. For example, if the grant commenced on July 6, the first balance would be that on December 31. It is understood, however, that the Ministry's practice is to take the balance at the end of the quarter in which the grant period commences. In the example the first balance would be that at September 30. The grant will be a proportion of a full year's grant, calculated by taking that proportion of a full year's grant which the number of days from the commencement of the grant period to the end of the year bears to the number of days in the year.

Level Trend in Business Failures

Business failures remain fairly constant in number and, looked at in relation to the increasing total of private companies (see the note "Companies in 1953" on page 409), seem to be less frequent than they were. In the first three-quarters of this year there were 285 compulsory liquidations of public and private limited companies, compared with 275 in the same period of 1953. There were 1,725 bankruptcies in the first three-quarters of 1954, compared with 1,698 in the corresponding period a year previously.

Shorter Notes

Another Film Accountant

In reviewing *Executive Suite*, a Hollywood film, in our August issue, pages 304, we commented that this seemed to be the first film featuring an accountant in a main part. It may not be very long before Mr. Graham Greene's *Loser Takes All*, a story which has just been serialised in *Picture Post*, is filmed. When it is there will be another film accountant playing an even more conspicuous role. Even though he spends most of his time and figuring ability perfecting a successful system at Monte Carlo, he achieves promotion from assistant accountant to chief accountant in the end.

Chair of Accountancy in Melbourne University

Mr. A. A. Fitzgerald, O.B.E., B.COM., has been appointed the first occupant of the Chair of Accountancy, recently set up in the University of Melbourne as a memorial to the late Professor G. L. Wood. This is the first Chair of Accountancy in an Australian university.

Professor Fitzgerald has been associated with the teaching of accountancy in the University of Melbourne since 1925, when he was appointed an assistant lecturer. He is also the senior partner in Messrs. Fitzgerald & Tompson, Chartered Accountants (Aust.).

Twenty-fifth Anniversary of Philippine Institute

The annual convention of the *Philippine Institute of Accountants*, to be held at Manila on December 3 to 5, will celebrate the twenty-fifth anniversary of the founding of the Institute.

Institute of General Managers

The *Institute of General Managers* will hold its first annual dinner at the Savoy Hotel, London, on December 3. Chief executives in the Commonwealth of approved experience may be admitted as foundation members of the Institute, and those interested should apply for further information to the Registrar of the Institute at 86 Eccleston Square, London, S.W.1.

ACCOUNTANCY

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL. ESTABLISHED 1889

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Replacement Costs and the Nationalised Industries

THE APPEARANCE, HARD UPON ONE another, of the reports and accounts of three nationalised industries—transport, electricity and gas—provokes a comparison of what they have to say about depreciation on historical and replacement costs. The *British Transport Commission* says, rather wistfully:

> As and when earnings are available for the purpose, it is intended to make allocations to a replacement reserve towards meeting the amount by which the estimated current cost of replacement exceeds the gross book values upon which the depreciation provision is computed. An allocation of some £20 million would have been appropriate for the year 1953 on the assumption that all assets covered by the depreciation scheme would eventually require replacement and that replacement would take place at mid-1953 levels of prices.

No replacement costs accounting proper this, even if the passage were not in the conditional mood, but there is certainly the expressed intention eventually to provide for replacement, even if not to account for it in the depreciation item.

The *British Electricity Authority* is laconic, merely referring to the explanation of its depreciation policy contained in the report for 1951-52. It then set out a reasoned argument for historical costs accounting, which we considered and criticised in our issue of November, 1952 (pages 357-8).

The *Gas Council* now recites at some length its own reasons for adhering to historical costs accounting:

> To adopt the replacement cost basis would mean a complete change in the financial policy of the industry, with serious repercussions on prices. In considering this problem regard must be had, first, to the fact that existing plant is not replaced with similar plant. Through the process of integration it is often possible to close small works and to make greater use of capacity which already exists in the larger works and which in the past has had to be retained as standby plant. In such cases it may not be necessary to replace the plant closed down. But where replacement is necessary, small plants are being replaced by one or more much larger plants, thus enabling advantage to be taken not only of technical developments but also of the benefits of large-scale production which substantially offset the increased capital charges for depreciation and interest attributable to the increased cost of plant. Secondly, as new assets are brought into use, they represent an increasing proportion of the whole and thus the depreciation provision of Boards is progressively being calculated on present-day price levels. Thirdly, Area Boards are liable for tax in the ordinary way, and thus considerably more than the difference between historical and replacement cost of plant would have to be obtained from consumers through increased prices. In all the circumstances, it was felt that the strain of enhanced costs, which must be faced in the long run, should be taken gradually and without too violent a change in the price of gas.

The first argument seems to be one, not for depreciating fixed assets on an historical costs basis, but simply for recognising that, in depreciating them on a replacement costs basis, correction must be made for technological and economic improvements inherent in the new fixed assets—a point which is recognised and appreciated by the adherents of replacement costs accounting.

The second argument is one which was advanced by the British Electricity Authority in its statement of 1952 and which we then answered as follows:

> This seems to imply that the B.E.A. is not so sure, after all, about the principles on which it erects its stand for historical costs accounting. Paraphrased, it is saying: "We are accounting on historical costs, but see how close we approach to accounting on replacement costs, how nearly we approximate to the desirable basis."

Nor are we greatly impressed by the third argument in the Gas Council's case. It is indeed unfortunate, even if one does not use a stronger word, like unjust or inequitable, that the depreciation item for tax purposes should be computed on historical costs, but that anomaly is no good reason for insisting on using the same mistaken basis of computation for commercial and pricing purposes. In itself, a rise in the price of fuel would certainly be unwelcome—though there is a strong body of economic opinion which holds that, in general, and apart entirely from the replacement costs controversy, an upward adjustment in fuel prices is much overdue—but the blame for the rise would lie with all the causes bringing about the inflation of recent times, the inflation in the prices of capital assets in particular.

One contention put forward by the British Electricity Authority in 1952 was of more substance. It averred, in effect, that an undertaking financed by loan capital, like the three nationalised bodies, had no greater obligation to the holders of its securities than to maintain its ability to meet the redemption value of the securities in terms of money. In other words, the security-holders were essentially in a different position from equity-holders, who hold a stake in the real assets of the undertaking, not a money debt from it: even if the equity-holders could therefore reasonably expect the real value of their interest to be maintained, the holders of loan capital should expect no more than maintenance in money terms. But is this argument really sound when applied to nationalised concerns? Is it anything more than a legalistic form that the capital of these bodies is loan capital? Surely in the broadest sense the taxpayers are the holders of the equity of the nationalised industries and have as much right as the equity-holders of a private concern to expect their assets to be maintained in real terms?

Planning the Illustrated Report

The need for good layout, attractive printing and well-chosen illustrations in company reports and accounts is one which has been emphasised on several occasions in ACCOUNTANCY *recently. Members of one of the leading firms of typographical designers, who have been responsible for the design of some of the best published reports of recent years, have contributed this article on the subject.*

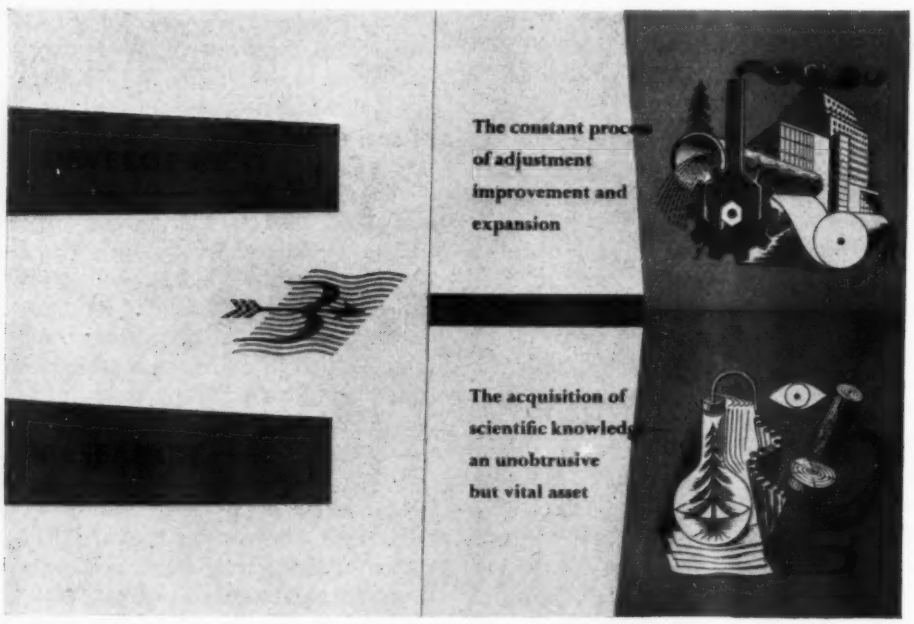
DURING THE YEARS SINCE THE WAR THE practice, previously a general one, of publishing company accounts in formal style has gradually been developing into the publishing of an illustrated story and accounts in one booklet or in separate booklets sent out together.

There are many reasons why this has happened. In the years immediately following the war it was helpful to business to tell of its efforts during war-time and to marry these experiences with information about its future plans. Again, it was helpful to inform the returning troops, who were the new business men and consumers, of the company's background, facilities and products. This was all in the wider general interest of gaining an informed commercial and public appreciation of the business and its goods.

As a consequence many business books and brochures of a new kind have been published. With the wide use of coloured printing, photography, diagrams and, in some instances, text by well-known writers, a way has been found to disseminate knowledge of the company in a way that permits the story to stay in the mind of the recipient. Anniversaries, too, have had their place in the general scheme. In addition, Trade Associations have issued many publications in colour with illustrations and more general information aimed at informing the public.

It followed naturally that shareholders, particularly of the larger companies, became much more aware of the activities and problems of industry. As their awareness grew, so it became necessary for them and other interested parties to be kept informed regarding the affairs of a company in general terms as well as in the exact terms of its accounting figures. It has now become a general practice in large companies to issue illustrated sections with company accounts and the number

This double spread, from Bowater's *annual report for 1953, illustrates the "theme"—the illustrated portion of this annual report gave the shareholder a good insight into the development and research of this mammoth organisation.*



of companies adopting this practice is growing yearly. In addition, a foreword is sometimes included, indicating some of the more important items of the chairman's annual statement. The latest development is for a staff edition to be published, its object being to inform the staff and workers of progress and plans, without publishing detail not required for that purpose.

Certainly, there are some companies which have no need for illustrated accounts. For example, those with a steady flow of work of unchanging character in a familiar field and without large expansion plans have no great need to tell shareholders of their achievements with illustration and story, for the products are unchanged in any way and the accounts easily explain themselves. Similarly there is often no need to " illustrate " changes in the figures where the company's sphere of activity or markets is the same as in the previous year and they are fully explained in the chairman's statement.

If it is decided that illustration and text are of value it is necessary to treat each case on its own merits. What should the shareholders be shown and how should it be shown? What is there to say and what will make it clear so that the readers understand the argument? Before considering details of presentation the decision of subject is necessary, but *before decision of subject another decision is necessary—what is it worth to the company?*

The cost of publishing illustrated accounts depends largely on the story to be told and the scale of activities of the company concerned. A good story booklet, with some colour illustrations, several black and white illustrations and explanatory text can be produced for as little as 2s. 6d. a copy for a quantity of 10,000, though some of the larger companies have spent several times this figure per copy. As the booklet is sent to the same addresses as the balance sheet the postage would not be much more. A story of development plans needs proper treatment and the reader must be able to get a clear idea of the management's decisions and plans put into practice. Complete treatment is therefore necessary—it will return to the company a good dividend of confidence in the judgment of the Board and the executives. Future demands for new money, developments (such as expansion into new markets) and the confidence of the Press, can be very much assisted by the interest which is added to the accounts by an illustrated section. As we have said, each case stands on its own merits and no amount of colour or pictures makes up for bad business.

This spread, from the illustrated section of the Bowater's *report for 1952, shows the value of letting the pictures tell the story. This particular year's illustrated section was mostly a series of pairs of pages illustrating steps in the theme of that year " Wood Pulp in the 20th Century." This particular spread was entitled " Paper-making is a tradition among Kentish men."*

The setting out of the theme for the year with a balanced presentation of the accounts gives the annual report a new unity, and the company becomes a new living personality. It is shown that the company employs real people, does real trade, has good balanced plant and equipment. It is shown that the Board is proud of the company, has confidence in its future and wants the reader to take the maximum interest in its affairs. That achieved, it must be conceded that a modest expenditure per shareholder in this fashion does pay its own dividend.

The illustrated section should not be a history book or a catalogue. Some history, some successes, some products could well have a place providing they have direct relationship with the main theme.

What is the main theme to be? Likely subjects are—capital expansion, new development, consolidation, research, joining together with another company, new markets. In considering the main theme it must be remembered that there will be accounts next year as well as the years to follow and that the story of the activities of the company is a continuous one! (This does need saying, for many of us have had

This opening page of the English Electric *illustrated booklet, which accompanied the balance sheet for 1953-54, shows the virtue of large subjects being treated big. It also shows how simply and clearly the foreword can be fitted in.*

the experience of an enthusiastic chairman agreeing to illustrate the year's report and then wanting everything crowded in.) The theme should be considered in its relation to the sales and advertising policy and the executives of these branches should have the main responsibility of final presentation.

In the writer's opinion it is essential that the secretary of the company and the chief sales or advertising executive should work very closely together and that their spheres of responsibility regarding appearance, details of text, pictures and so on, should be clearly defined, yet at the same time integrated. Two jobs are being done in one and it has become apparent as a result of experience that there is one person who can integrate the two halves to everybody's satisfaction—a suitably qualified and experienced designer, who is made responsible for complete production. For what it is wished to say must be read in the eye of the beholder and typographically the story section and accounts must have a unity.

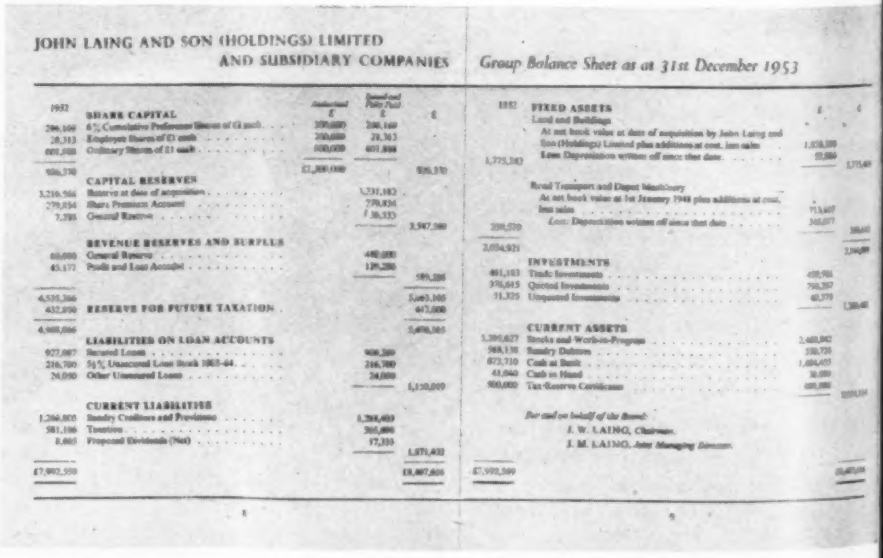
The best results will be obtained by having an *independent* designer for a booklet of this nature, except, perhaps, for the simplest and most straightforward editions. This expert should be approached at the earliest possible stage. A large degree of independence is required in the assessing of style, colour and materials and it has been proved time and time again that this independence is of great importance when considering the best way to produce the subject, where to use colour, and the method of illustration and production.

Having decided the theme and passed the responsibility to the executive, the production schedule should be decided. All accountants need as long as possible for the figures, and the final results must be printed only at the very last moment because of security. No one can reasonably expect to have longer than four weeks for printing and binding the accounts, but long before this the illustrated sections and the general style of setting of the figures should have been decided and, for the most part, prepared for printing. Preliminary planning should commence at least 12-16 weeks before the day required for posting. Plans and text should be completed within four to six weeks, thus leaving eight to ten weeks for illustration, setting, proofing and printing.*

The illustrated section is very difficult

* At the time of going to press full colour half-tone blocks are taking longer to make than usual, and this period may have to be increased if a number of colour blocks is required.

The spread shows very simply and clearly the group balance sheet.


JOHN LAING AND SON (HOLDINGS) LIMITED
AND SUBSIDIARY COMPANIES

Group Balance Sheet as at 31st December 1953

1952		£	£
	SHARE CAPITAL		
296,106	6% Cumulative Preference Shares of £1 each	300,000	296,106
28,313	Employees Shares of £1 each	200,000	28,313
601,951	Ordinary Shares of £1 each	600,000	601,951
926,370		£1,100,000	926,370
	CAPITAL RESERVES		
3,216,566	Reserve at date of acquisition	1,731,103	
279,834	Share Premium Account	279,834	
7,395	General Reserve	1 36,333	
			2,547,280
	REVENUE RESERVES AND SURPLUS		
60,000	General Reserve	440,000	
45,172	Profit and Loss Account	139,200	
			599,200
4,535,366			5,060,365
432,950	**RESERVE FOR FUTURE TAXATION**		447,000
4,968,316			5,476,365
	LIABILITIES ON LOAN ACCOUNTS		
927,087	Secured Loans	908,289	
216,700	5½% Unsecured Loan Stock 1965-64	216,700	
24,050	Other Unsecured Loans	24,050	
			1,150,039
	CURRENT LIABILITIES		
1,266,805	Sundry Creditors and Provisions	1,298,433	
581,186	Taxation	566,000	
1,665	Proposed Dividends (Net)	17,335	
			1,871,432
£7,992,509			£8,467,836

1952		£	£
	FIXED ASSETS		
	Land and Buildings		
	At net book value at date of acquisition by John Laing and Son (Holdings) Limited plus additions at cost, less sales	1,838,388	
1,775,383	Less: Depreciation written off since that date	77,886	
			1,775,489
	Road Transport and Depot Machinery		
	At net book value at 1st January 1948 plus additions at cost, less sales	713,607	
259,570	Less: Depreciation written off since that date	345,077	
			368,611
2,034,921			2,144,090
	INVESTMENTS		
481,183	Trade Investments	459,961	
370,615	Quoted Investments	790,357	
91,329	Unquoted Investments	40,379	
			1,290,697
	CURRENT ASSETS		
1,395,627	Stocks and Work-in-Progress	2,440,842	
988,138	Sundry Debtors	330,720	
872,710	Cash at Bank	1,404,455	
41,040	Cash in Hand	36,886	
900,000	Tax-Reserve Certificates	600,000	
			5,010,104

For and on behalf of the Board:
J. W. LAING, *Chairman.*
J. M. LAING, *Joint Managing Director.*

£7,992,509		£8,467,836

to produce for all but the most straightforward themes. Whereas in the business itself everybody is experienced in his own field and correspondingly expert at putting forward his case to his prospective customers, here there is no customer in the usual sense of the word, but a collection of individuals many of whom have very varied interests and experiences.

The appearance of the report and accounts, with their accompanying illustrated section, should be designed to present the individuality of the company to its readers. Valuable though it is to read the accounts and booklets of other companies, it is *quite incorrect* to say "We want one like so-and-so's," or "Why can't we do what so-and-so has done?" No two companies, even in the same industry, have the same answers to manufacturing and trade problems, but each company presents its products and its policy in its own way. It is thus evident that the booklet must have a style of its own.

It follows that personal likes and dislikes must be kept under control along with any attempts to "railroad" appearances to suit any preconceived notions. In general, large subjects need large treatment, with bold illustration, clear, good text displayed in a straightforward manner with few tricks and dodges to confuse the eye. The illustrations must be considered in their own right and must be prepared specially for the particular need in mind so that they fit in and are worthy of their space.

The text that accompanies the illustrations should, as a rule, be brief. It should be the aim to produce an *illustrated booklet* rather than a text booklet containing a few illustrations. After deciding the general order of contents and the trend of illustrations a full-sized complete colour dummy should be prepared, with the use, if possible, of the actual illustrations required. This dummy will give the "feel" of the finished job and all concerned will be able to visualise the appearance when published.

The accounts section must be planned for length and an outline contents list must be prepared well in advance. Display treatment and order of the various sections must be agreed in good time. Here it is important to remember that bold display does not necessarily mean big type, nor does it require "black" type. The actual size type used is a secondary matter at this stage and will be selected in due course by the typographer. What is needed here is for the secretary or responsible executive to say whether "this" or "that" is important, how much it must stand out, or in which position it must appear.

Too many accountants worry too much about technicalities of printing: "set this in 6 point," "this ought to be leaded," "make all these lines U. & l.c.," they say, and so on. Make known the results desired, for example, that certain headings are more important than others, or that certain figures connect directly with certain others, but only indirectly with a third set. The technical decision on size and character of letters can then be left to those responsible for the display and production. Only thus will the result be a unified one and easiest to read. It is as well to remember here the old adage, known to most of us—"all display is no

If the products are to be shown, then it is sometimes helpful to explain.

display" and we must remember that the chairman and company is *not* well served by making everything bold or everything black. Sometimes a small line or illustration is more effective than a bigger one and gets more attention, according to its position and the emphasis and size of the matter immediately adjacent.

Give the designer the accounts plan when the general theme is established; the accounts section can then be married-in with the illustrated section and the proof (using last year's figures) prepared for early approval of general styling. In this way the whole production is facilitated and the results will be a well-informed and well-planned booklet that does credit to the company.

Electronic Accounting

We reproduce the paper read by Mr. T. R. Thompson, M.A., B.Sc., Chief Assistant Comptroller of J. Lyons & Co., Ltd., to the Incorporated Accountants' London and District Society on October 4. Mr. H. L. Layton, F.C.A., F.S.A.A., who was in the chair at the meeting, recalled that Sir Ben Lockspeiser had recently said that the greatest advancement of our economic life before the year 2,000 would be the introduction of electronic computers. J. Lyons & Co., Ltd., Mr. Layton said, were the first to make commercial use of an electronic computer—" LEO," standing for Lyons's Electronic Office—in this country. Readers may like to read Mr. Thompson's paper in conjunction with that of Mr. Dudley W. Hooper, M.A., A.C.A., on " Mechanisation Present and Future," given at the recent Incorporated Accountants' Course on Management Accounting at Balliol College, Oxford, and summarised on pages 371-2 of our last issue, and the article by Mr. A. E. Davies on " Electronics and Bank Book-Keeping," in our issue of July, 1954 (pages 253-55).

By T. R. THOMPSON, M.A., B.SC.

I SHOULD LIKE TO BEGIN BY EXPLAINING WHAT I UNDERSTAND BY THE title of this talk—" Electronic Accounting." The word " electronic," although in common use nowadays, was not used by the man in the street before the beginning of the last war. Quite simply, equipment so described operates by means of valves, so that an ordinary radio set can rightly be described as a piece of electronic equipment. The advantage of electronic valves is that they work very quickly and they are, in fact, much more consistent in operation than are electrical relays which have, in the past, been used in electric calculators and accounting machines. The mere introduction of valves in place of relays in such equipment has had no other effect than to speed up their operation and make them a little more consistent in operation. This evening, however, I am not going to talk at all about the form of accounting machine with valves in place of relays, but the kind of machine which is commonly, but mistakenly, referred to as " an electronic brain." When applied to clerical operations this new type of calculator can perhaps best be described as a " high speed automatic calculator or accounting machine." A great deal of interest is now being taken in this new type of machine and many exaggerated claims have been made about what it may be able to do. Not only is it to perform marvels in the mathematical and scientific field and the work of complete offices ; it is also claimed that it will write books and compose sonnets. Even in the more mundane realm of the office the claims made are greatly exaggerated, and a great deal of hard pioneering work will have to be done before many of the possibilities can be realised. In order to distinguish between what is possible and what has already, in fact, been achieved, I propose first to summarise briefly the stage so far reached.

Progress Achieved

First, a large number of automatic calculators have been built in the United States, in this country, and elsewhere, and have successfully been set to work on doing complicated mathematical and scientific calculations; the general principles on which such calculators operate are fairly well established. The devices which are used to give effect to these principles vary very much from one machine to another, for the techniques involved are only in their infancy, and the number of possibilities yet to be explored is considerable. The calculators that will be made in the next five years will, therefore, differ greatly from those made during the last five years.

The most important aspect of these calculators to which efforts at improvement are being directed is that of dependability. This matter is naturally a very important one when the calculator is to be used for doing commercial clerical work, since the work must normally be done according to a fairly tight schedule. Our own machine is dependable enough at the moment to do a number of scheduled clerical jobs each day, but we are by no means satisfied that it is dependable enough for the amount of work we intend to put on it, so we are progressively taking steps to improve it.

Until the spring of this year, our machine was, as far as we know, the only one which had actually been put to practical use on clerical work. It does, in fact, do a number of different clerical jobs but so far only a relatively small *amount* of a very small *variety* of them. To put a job on to LEO involves a lot of preparatory study and planning which takes a considerable time. Once a job is ready, theoretically one can put the whole of it on to LEO, but in practice we naturally like to try it out gradually so as to discover the snags before we become too deeply involved. For instance, during the first six months of operation we did the payroll for only 2,500 employees, though there is no theoretical reason why we should not have done it for 25,000.

The jobs we have done have proved entirely practicable and satisfactory from the organisation's point of view, and we have been able to do them accurately and more or less to schedule. We are therefore able to expand progressively the amount of work that we give to the machine, and we are considering new jobs all the time. Each new job, however, has to be considered on its merits and involves a great deal of reorganisation within the office and the departments where the data are prepared and the results used. As we deal with each new job we become aware of improvements in facilities that are desirable in the equipment to make jobs more economic and to make operation simpler. The main field where improvement is desired is in the equipment auxiliary to the main calculator, that is in equipment for preparing and feeding the data and for recording and handling the results produced.

In these early stages we have as far as possible adapted existing

equipment so as to keep the development to a minimum. As we get more experience we are able to see the lines of development which will be most useful.

How LEO Works

Before going on to outline these lines of development I must first explain the general principles on which LEO works. I can assure you that I am not going to be in the least technical, for there is no reason why you should know about the inside of LEO any more than about the inside of the traditional calculators and accounting machines that have, for some time, been in use in large offices. The best way of understanding how LEO works is to consider how it does a very simple job. As an illustration I am going to take the job of finding the average weight of two parcels (Fig. 1). Here we are concerned with two types of information : there are first of all the numbers on which the calculations are to be made, the weight of the first parcel and the weight of the second, which are called the " data " for the job ; and there are the operations which need to be performed to obtain the average, in this instance the adding of the two weights and the dividing by two, which are called the " orders " for the job. The set of orders covering the whole process is called the " programme " and this is the same whatever the weights of the two parcels.

For a calculator—any calculator—to do even this simple job, it will require a number of basic units (Fig. 2) ;

A *store* to hold the numbers.

A *computer* or arithmetic unit to do the different arithmetical operations we require, such as adding and dividing.

An *input* unit by means of which the numbers can be put into the store.

An *output* unit by means of which the results may be recorded.

In an ordinary desk calculator we also need an operator who will make sure that the different units operate in the right order to get the correct results, but an automatic calculator works so fast that no operator can possibly keep up with its operation and so a way has to be found to make it work automatically. In order to do this the full programme of orders to be carried out is fed into the store at the beginning and a special unit, called the *co-ordinator*, causes these operations to be carried out in the correct sequence.

The operation of LEO depends upon electrical changes in the different circuits of the calculator, and the numbers and orders stored in the calculator are themselves represented by a series of very brief electric surges, called " pulses," that last only one millionth of a second.

The store is divided up into a large number of separate registers or compartments, each of which can hold one number or order. The simplest desk calculator has only one register to hold one quantity or amount; a duplex has two such registers, and more complicated accounting and analysis machines have six or even 27 registers. In LEO there are 2,048 registers, so that up to this number of orders or numbers can be stored at any one time.

Both the programme of orders and the data may be fed into LEO from punched paper telegraphic tape or punched cards, the holes representing the orders and numbers in coded form. The results are either printed on paper a line at a time by means of a tabulator which has been adapted for the purpose or, if they are needed in a subsequent job, they are punched on cards ready for feeding back again.

A job is started by feeding the programme of orders into the store. These orders are then carried out one by one in turn. The first is transmitted from the store to the co-ordinator where it is automatically interpreted so as to cause the required operation to be carried out. The finish of one operation is the signal for the next order to be dealt with, so that the operations follow one another without ceasing.

The first order to be carried out in the simple problem is to

Figure 1

CALCULATE AVERAGE WEIGHT OF TWO PARCELS

$$\text{Average Weight} = \frac{\textit{Weight of First Parcel} + \textit{Weight of Second Parcel}}{2}$$

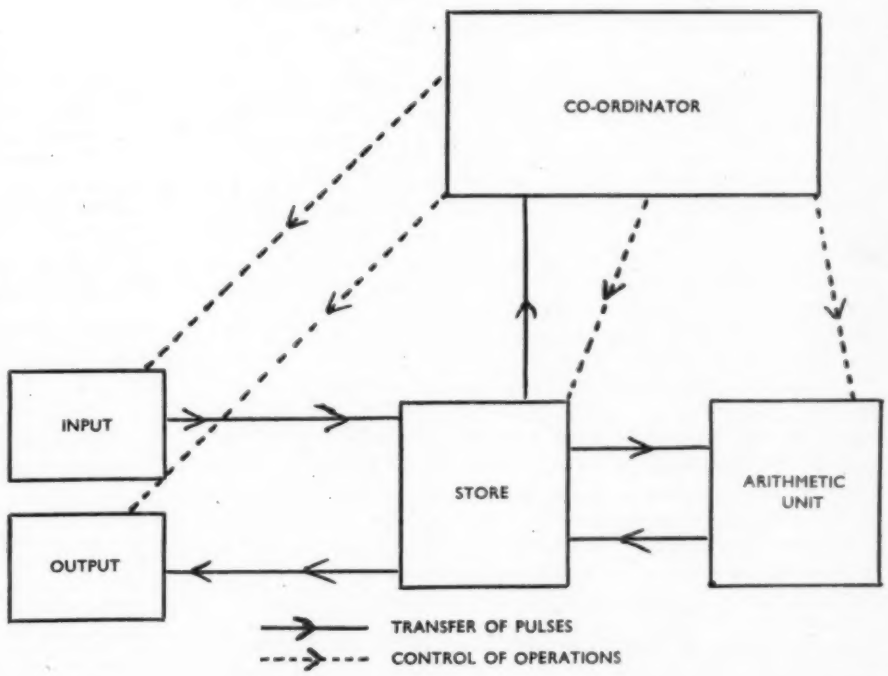
Example	lb.
First Parcel weighs	10
Second Parcel weighs	16
Total	26
$\text{Average} = \frac{26}{2} =$	13

Programme of Orders

1.	Take in weights of two parcels	10 and 16
2.	Add weights of two parcels	26
3.	Divide total weight by two	13
4.	Record average weight	13

Figure 2

BASIC UNITS OF ANY CALCULATOR



read in the weights of the two parcels. The next orders cause the calculations to be carried out, and following them there are orders to print or punch the results. There is finally an order in the programme which causes the calculator to go back and start on the series of orders all over again with a new batch of data. This is possible because the full programme of orders is still held in the store.

In this way LEO can continually take in new batches of data, carrying out the calculations on them, and printing the results. In fact there are three separate input channels, two of which read punched tape and one punched cards, and there are two separate output channels, one for printing and the other for punching cards. Not only are these working continually, but while the calculations are taking place on one batch of data, data for the next batch of calculations can be read from all three channels at once, so that as soon as the calculations for a batch are finished the data are ready for the next batch. Moreover, as soon as a batch of calculations is complete, the results to be printed and the results to be punched can both be sent out along their respective channels instantaneously, and the calculator can then get on with the next calculations. This means it never needs to wait either for data or for the recording of results. Since the calculator never has to wait for data or results it can work at its natural speed, which averages one order every thousandth of a second or so, so that clerical procedures involving many hundreds of separate calculations can still be carried out in under a second.

Carrying out a Clerical Procedure

A job in our view is a complete clerical procedure, and not a single step in a procedure as is the case when punched card machines are used. I am going to illustrate this with reference to the payroll, since this is a job you will readily appreciate without too much explanation and since it is being done by LEO.

Most people will be familiar with the requirements of a payroll and it may seem to be a simple procedure. If one considers, however, all the possible tasks that have to be done it will be seen that there is quite a lot to it.

Fig. 3 sets out all the tasks that may have to be carried out for any one employee. Some of these, of course, will not apply in every case.

Besides these calculations it is also necessary to keep a number of totals for accounting and other purposes, so a running total must be kept as each man is dealt with.

The results required are of two kinds ; a printed record is required for the employee, telling him of the pay he has earned and what deductions have been made, with a copy for the office printed simultaneously ; secondly, certain information for each man, such as the total pay and total tax for the income tax year, is required for the next week ; this is recorded on a punched card.

Besides the records for the individual man, records are also required of totals for groups of men. Some of these are printed and some are punched on cards.

The person who prepares the programme sets down the orders in coded form (Fig. 4). Before these orders can be fed into the calculator they must be in a form that can be read automatically, namely, on punched cards. The cards provide the orders for doing the required calculations in all the conceivable circumstances. If any orders are not required for any man, the data indicate this and the orders are automatically skipped. This facility is one of the most important of the features of this new kind of calculator.

But before any man's payroll calculations can be carried out it is necessary to feed in the data. These data are of three kinds (Fig. 5). There are first of all the more or less static particulars of the man's rate of pay and so on. When these alter they are

Figure 3

PAYROLL TASKS

TASKS THAT MAY BE REQUIRED FOR ANY INDIVIDUAL EMPLOYEE

1. Base Pay
2. Sick Pay
3. Holiday Pay
4. Gross Pay (inc. Bonus, Allowances, etc.)
5. Gross Pay to Date
6. P.A.Y.E. Tax to Date and This Week
7. National Insurance
8. National Insurance Stamp Record
9. Pension Deduction
10. Pension Contribution to Date
11. National Savings Deduction
12. National Savings Total to Date
13. Loan Repayment
14. Loan Balance Outstanding
15. Hospital Saturday Fund Contribution
16. Club Contribution
17. Other Deductions
18. Total Deductions
19. Net Pay
20. Notes and Coins for Net Pay

RUNNING TOTALS FOR GROUPS OF EMPLOYEES

Amounts of Each Note and Coin
Numbers of Each National Insurance Stamp
Amounts of Each Item for All Employees in Department

Figure 4

PROGRAMME ORDERS

TO MULTIPLY PAY HOURS BY WAGE RATE

Pay Hours Stored in Compartment 42 of Store
Wage Rate „ „ „ 158 „ „

	Order	
	Type of Operation	Compartment of Store
Set up Pay Hours in Multiplier	21	42
Multiply by Wage Rate	31	158

Figure 5

DATA FOR EACH EMPLOYEE

Particulars Normally Unaltered	Brought Forward from Previous Week	Applying to This Week Only
Identification No.	Identification No.	Ident'n No.
Bakery No.	Bakery No.	Bakery No.
Wage Rate	Gross Pay to Date	Hours to Pay
Tax Basis and Allowances	Tax to Date	Premium Bonus, etc.
National Insurance Code, etc.	National Insurance Stamps to Date	Sickness Details
Pension Particulars	Pension Contribution to Date	Holiday Details
National Savings Particulars	National Savings to Date	
Loan Repayment	Loan Balance Outstanding	
Other Deductions	Holiday Indicators	
Fed in From a Series of Punched Cards, One for Each Employee		Fed in For One Employee After Another From Continuous Punched Tape

brought up to date by a preliminary LEO job. Then there are the items brought forward from the previous week, such as his total pay to date for the income tax year, and finally there is the information which applies to this week only. The brought forward data are produced on a punched card as the result of the previous week's payroll. It is possible to put on the same card all the permanent particulars as well, so that it is convenient to bring forward these on the same card, subject to amendment for changes that take place. There is therefore no manual preparation for the first two sorts of data.

The current data are, however, received from the department concerned in the form of attendance records. The attendance record used is simply an adaptation of what had been prepared by the factory office under the previous orthodox system. The record was, however, redesigned so that the columns containing the different items appeared in an order corresponding to the pattern required by the calculator programme. One line of the sheet is used for each employee. His name and key number is addressographed on the sheet in advance and the rest of the information is entered by the factory clerk, by pen and ink, as he obtains it.

Before LEO can be set to do the job the information on this record must be put in a form which can be read automatically. The attendance record is given to an operator who uses a perforator of the type used for preparing tape for telegraphic purposes. The keyboard has been adapted, however, so that the operator can use the right hand to depress the keys using a touch-typing system, leaving her other hand and her eyes to deal with the sheet that holds the data she is recording. The operator depresses a key for each numeral of data, a special number end key at the end of each number, and a block end key at the end of each line, that is at the end of the data for each employee. The calculator, when it reads this type, takes in one block at a time, that is, the whole of an employee's data, and puts it in specified positions of the calculator store. The co-ordinator is then able to select an item of information that is required, simply by taking the contents of a particular compartment of the store. In this way there is no need to designate the different items of information with a code number so as to indicate their nature. In effect the pattern of numbers on the line of the form becomes a pattern in the store of the calculator.

The transcription of the data from the attendance record to the punched tape is equivalent to entering the information on the payroll sheet. It can, however, be done much more quickly. On average one employee's data can be transcribed in about three seconds.

Before the punched tape can actually be fed to the calculator it must, of course, be checked. This is done by a checking operator to whom both the attendance record and the punched tape are passed. The checker re-records the data independently, using special checking equipment somewhat similar to punched card verifying equipment. It is the punched tape prepared by the checker which is in fact used to feed the calculator.

The attendance record I have been talking about can cope only with people who were on the payroll the previous week, since it is addressographed in advance. There are special arrangements to deal with new staff. Their attendance particulars are put on separate slips which can be sorted in the order in which they are required to be inserted in the payroll. A separate punched tape is prepared for this and checked in the same way as for the other employees.

When all the data are assembled ready for the job to be started, the programme cards are put on the card feed and the start button pressed. Each programme card is read in turn and the information is put into the store of the calculator. There is a serial number on each card and a check total, which are read at the same time. The calculator checks that the serial number is in the right order and that the items read in agree with the control total. The programme remains in the store of the calculator for the duration of the job.

The data tapes are put on to the readers and, as soon as the programme is in, the brought forward cards are put on to the card reader. The calculator then starts carrying out the programme, reading in the data for each man in turn and automatically producing the payslips and the brought forward cards ready for next week. It does this at the rate of about 40 employees per minute.

As each man's data is read in, the information from the card is checked against a control total, and the key number on the card is checked to see that it agrees with the key number of the information read from the data tape containing the hours worked, etc. As regards the new staff on the payroll, the hours worked, etc., for the first man are read in from the special data tape, and the data for this man are used as soon as the calculator gets to the right place in the payroll, so that his payslip and brought forward card are produced in the correct order.

There are many other automatic checks carried out while the calculations are being made for each employee. For instance, in getting at the base pay for the week, not only is the rate of pay multiplied by the hours, but the hours are also multiplied by the rate of pay, and the two are checked to see that they agree. If there is any discrepancy in carrying out these checks the calculator immediately stops.

As each employee is dealt with, all the necessary running totals for the financial and cost accounts are calculated and put into compartments of the store. For instance, as a convenience in making up the pay packets, the employees are divided into groups with a total net pay of about £750. As soon as the running total for net pay reaches £750, therefore, a punched card is produced showing which pay packets are included in the group, the amount of net pay for the group, and the dissection of it into £1 notes, 10s. notes, and denominations of coin required to make up the pay packets. Similarly at the end of each bakery a card is punched giving the necessary cost accounting figures for charging that bakery. At the end of the whole job the stationery on the tabulator is changed to plain paper while a special programme is fed into the calculator which causes all the remaining running totals to be printed off.

The statement printed is not just a simple statement of figures but is in the form of a series of reconciliation accounts to show that the totals are all self-consistent. For instance, there is a reconciliation between the total gross pay for employees brought forward from last week, the gross pay earned for this week, and the new total to date. There is a reconciliation between the actual total deductions for such items as National Insurance with the total of normal deductions for these people, the difference having to be accounted for by known variations which were introduced in the data. The total gross pay for the week is balanced with the total net pay and the total of all the items of deductions. The number of such reconciliations far exceeds any which it would be worth while doing for a manual system, and when all the discrepancies have been zero we have never subsequently found any error in the figures. Where discrepancies are not zero, we seldom have any difficulty in finding out what has caused the discrepancy.

Introduction of Electronic Machines in Offices

You will appreciate that throughout the whole of the operation all the operators have to do is to keep the calculator fed with data

and to scrutinise and remove the results as they are produced. I am sorry that I cannot demonstrate this thing actually in operation. If one has not seen it, it is hard to believe that it is possible. The fact remains that these machines are able to do complete clerical procedures in this way, and the question which must needs be considered is whether it is worth while trying to use such machines in offices.

I think it can be said that only large centralised offices can, at the moment, consider using them. Quite apart from the cost of the machines, the cost of the reorganisation of the work is considerable and the effort and trouble involved cannot be worth while unless the saving afterwards is going to be considerable.

Assuming there is a big office in which hundreds of clerks are carrying out routine jobs that can be taken over by a calculator, then it clearly is worthwhile considering whether an economy could be made by introducing one. The sort of calculators I have been talking about cost each in the region of £100,000. Also, because we cannot at the moment be sure that a calculator will not be out of action for a short period, it is probably desirable that there should be two machines, both working most of the time. These machines have to be maintained and operated, involving a staff per machine of, say, about ten people. To justify such an installation there must be a potential net saving of 200 or 300 clerks per machine. Only if such savings can be visualised is it worth while considering the introduction of these large machines.

Whether or not it is worth introducing a smaller machine of this type is another question which I am not qualified to answer, but so far as I can gather the cheaper machines that are becoming available have a very much smaller productivity per thousand pounds of capital involved, and I personally doubt whether, in view of the tremendous amount of work necessary to reorganise a clerical procedure and to put it on the automatic machines, it would be economic to install one of these smaller capacity machines.

I should perhaps say something about this reorganisation. The most difficult part is in stating in advance the exact requirements of every phase of the job. Next there is the task of deciding how to organise the job on the machine. This too is difficult and requires considerable experience of the facilities offered by the machine. Next the coded programme is prepared, which is not so difficult once there are trained people available. The programme tape is prepared and then extensive trials with known data are required. When the programme has been proved, operational trials are needed in parallel with normal working, and finally there is the problem of taking over completely.

Such a reorganisation cannot lightly be undertaken even when there is a calculator available with experienced staff to maintain it, to operate it, and to prepare programmes for it. Anyone who has not a calculator, or the experienced staff, has an even tougher proposition before him. Fortunately, it is now possible for such people to use someone else's calculator to conduct an experiment on their clerical procedures without having to disturb their normal arrangements. In emphasising the difficulties, I have no wish to discourage other people from venturing into this field—on the contrary, I hope many people will. But in encouraging them I feel that it is incumbent on me to point out that the way has not yet been made smooth, and that anyone who ventures is inevitably going to do pioneer work. We are at a stage in this development which is equivalent to the stage in the development of aeronautics when it was possible, for the first time, to book a flight across the Channel. No one concerned with development would have assumed for a moment that the first plane to do that was the plane of the future. The pioneers of that time realised that a great many improvements would be necessary before flying could be a safe and regular procedure. In the same way there are innumerable things that will have to be done before automatic clerical work can be done as a matter of course.

Future Developments

The first and most important development that is needed is a means of reading automatically documents that contain initial records of data. At the moment in almost every clerical system the data reaching the office from outside have to be read from some document on which they were initially recorded and either copied on to a working sheet or punched into an accounting machine. The same thing, at the moment, has to happen before data from outside the office can be put into an automatic calculator; they have to be put into the form of punched tape, punched card, or magnetic tape by the manipulation of a keyboard. It is important that a means should be found of scanning the documents containing the initial data and producing what can best be called an "intermediate record" which can later be fed to the calculator at high speed. Such means are being developed: in the United States, for instance, there is a firm called the *Intelligent Machines Research Corporation* which has built a machine that can scan information typewritten on a document and thereby enable the document to be sorted. I think it is only a question of time before a practical and economical automatic means of scanning and producing the intermediate record will be available.

The next field in which development is needed is in methods of keeping long-term records, such as ledger records, personnel records, and the like. Long-term storage has to be such that access to any item of information can be obtained quickly, and such that additions and amendments can be made to the record as required. At the moment punched cards are the best medium for this purpose, but magnetic tape and photographic film are both being tried out in various places. The most difficult aspect of a medium like magnetic tape is the danger that, in the course of carrying out a procedure, information may accidentally be replaced by incorrect information when a fault occurs in the equipment; it may be quite impossible to restore the *status quo*, with results that you can imagine for yourselves.

One important problem in referring to large volumes of information is getting access to a single item anywhere in the bulk, as for instance getting the price of one item after another in random order from a long price list, or getting the ledger record for one customer after another from the complete set of customers' records. If reels of magnetic tape are used for holding this kind of information a great deal of time may be wasted in running through the whole of the records just to get one item of information. The use of a magnetic drum instead of tape gets over the difficulty, but at the moment it is very expensive to use a drum or drums to store large volumes of information. The answer to this quandary is probably to have the information stored on tape and to select required items from it in the right order, recording them on an intermediate record which can later be used to feed to the calculator while the job is being done. This avoids any physical selection and sorting. When punched cards are used for the purpose the selection involves putting the cards through a sorter many times and then, when the appropriate cards have been used for the job, sorting them back into the original order again. A "sorter" is required which will sort *information* rather than *documents* so that the information can be obtained without disturbing the order of the original record. If, as a result of carrying out a job on the calculator, amendments or additions are required to be made to the original record, this will be recorded on an

intermediate record while the job is being done and later entered into the bulk records by special equipment devised for the purpose.

Preparing initial data and sorting and selecting long-term data can take place at quite normal speeds. It is only when data are being fed into the calculator that high speeds are necessary, because then the pressing need is to keep the calculator working at full speed. As new media for recording data are developed, new equipment must be devised for reading information from the media at high speeds. A great deal of development will be necessary before this equipment is both fast and reliable enough. I think you will appreciate that the production of equipment capable of feeding automatic calculators continually at a high speed involves a great deal of improvement in mechanical techniques before the necessary reliability can be obtained.

The same applies to the recording of the results produced by the calculator. Equipment will be needed to record information to be entered in the long-term record. Perhaps more important is equipment for printing results which need to be read by human beings. The present method of printing we use on LEO is far too slow ; on the other hand, faster printers are being developed and one made by *Burroughs* appears to be almost ready to come on the market. This prints a line of 48 characters at a time at a rate of 15 lines a second, and will be quite satisfactory for our purpose providing it is reliable enough and not too expensive.

I have not so far spoken of development necessary to improve the calculators themselves. I think the most important need is in regard to the main store which holds information to which quick access is required during the calculations. This part of the calculator is the most expensive part and we should like to double its capacity if the cost of the store were not so expensive. The cost of the store can be reduced by reducing the speed of access, but since these large calculators only pay their way if full use is made of their speed the slow access store saves in cost only to reduce productivity. It is therefore most important that a cheaper form of quick access store should be developed, and many efforts are being made to this end.

I have also mentioned the need for improving the dependability of the automatic calculator itself. This improvement will, I think, come about as components become more reliable and as engineers are able to devise circuits with wider margins of operation. I am sure also that means will be developed of making calculators in a much more compact form than at present. At the moment they are large because a large number of valves is used, because a large amount of heat is generated and, most of all perhaps, because there has to be easy access to the inside of the calculator for maintenance purposes. It so happens that a new component, the transistor, is now being developed which will serve much the same purpose as a valve. It is a smaller component so that all the circuits using it take up less space. It also generates less heat. When transistors can be made more cheaply and more consistently than at present the calculator will automatically be very much smaller. At the same time, with improvements in reliability, the need for easy access will become less important and it will be possible to make the whole calculator in a much more compact form.

I can say with some assurance that while this development is going forward a great deal will be learned on how clerical work can be organised so as to do it automatically, and we can therefore look forward to the time, in say five to ten years, when cheaper and improved calculators will be available and when people will know how to use them for doing clerical work.

Growing Older

By G. SUGDEN, F.I.M.T.A., A.S.A.A.

Forty years on growing older and older

THE WORDS OF THE HARROW SCHOOL SONG are taking on a new significance in modern society. Anyone who has studied the First Report of the National Advisory Committee on the Employment of Older Men and Women cannot but be impressed by the important changes which are taking place in the age groups of the working population. These changes will have some very far reaching results, not merely within the next 40 years, but within the next 25 years or so.

At present, retirement pensions are payable to men on reaching the age of 65 and to women at 60. Taking these minimum pensionable ages as the point at which old age commences, the population of Great Britain is growing older in a rather alarming fashion. In 1901 there were approximately 14 people of these ages for every 100 younger members of the population of working age. At the present time there are 30. By about 1977 there will be something like 44. In about 25 years, therefore, the working population will have to support three times the number of old people they had to support in 1900 and about half as many again as are being supported now.

There is an important offsetting factor, however—the progressive decline in the number of juvenile dependants. In 1901, there were 70 for every 100 workers; at the present time there are about 50 and in 1977 there will be only 42.

Not only is the proportion of old people in the population increasing. The proportion of older people still employed in the working population is going up. By 1962 it is estimated that the population in the age group 20-40 will be less by about 7 per cent. than it was in 1952. Conversely, workers in the age group 50-60 are expected to increase by something like 17 per cent. Even more important is the decline in the number of men in what might be called the active age group, between ages 18 and 40. By 1962 men in this class will be fewer by something like 300,000 than they were in 1952. Statistics for women show similar trends.

The reasons for this gradual but very important increase in the average age of the population are not far to seek. They lie principally in improvements in medical science and public health which have led to a very substantial decline in the mortality rates for infants; the gradual reduction in the death rate for older persons which has taken place since 1900; and the slackening in the rate of growth of the total population, which has reduced the " input " of new lives and thus increased the average age of those living.

Infants have now a better chance of survival and people are living longer. This is clearly shown by considering the expectation of life at birth between the periods 1891-1900 and 1947-1951. In the former period expectation of life was 44 years for a boy and 48 for a girl. In the latter period the corresponding figures were 66 years

and 71 years. This shows a very marked improvement in just over 50 years. Expectation of life at later ages has also improved but in not quite so definite a fashion. Estimates based on the 1947-1951 period show that a man of average health, aged 60, has an expectation of life of 15 years and a woman of the same age 18 years. At age 65 the expectation of life is 12 years for a man and 14½ years for a woman. It is quite clear therefore on these estimates that the average man or woman on reaching minimum pensionable age has still quite a considerable span of life ahead.

Because of doubts whether productivity would increase fast enough to carry the increasing number of pensioners, the National Advisory Committee on the Employment of Older Men and Women was set up. The recommendations of this committee deserve careful study by employers generally. The committee recommended in general terms that positive action should be taken by employers to tackle the situation by permittting men and women who wish to do so to carry on working after they have reached the normal retiring age, and also as far as possible to absorb into productive employment older people who may have left industry but who wish to return to work again.

There is an aspect of this question which is already appearing as a cloud somewhat bigger than a man's hand on the horizon of national finance. Retirement pensions payable under the National Insurance scheme are bound to represent an ever-growing burden on the National Insurance Fund. The 1952 report of the Ministry of National Insurance showed that for the year to March 31, 1952, retirement pensions were paid to about 4,150,000 people at a cost of £275 million. The accounts of the Fund for 1952-53 reveal that the corresponding figure for the following year was £315 million, an increase of £40 million. This very large sum for retirement pensions is bound to grow larger as more and more pensioners draw benefits from the Fund. The position of the National Insurance Fund as a whole is not a very encouraging one. In 1951-52 there was a surplus of something like £98 million after including Exchequer grant and interest on investments. The income of the Fund from contributions was just about sufficient to pay benefits and administration expenses. In 1952-53 the surplus had fallen to £23 million. However, even if there are no further increases in scales of benefit, in four years it is estimated that there will be a deficit of about £100 million per annum on the Fund; in 10 years' time the deficit will be £275 million per annum; in 25 years' time £400 million per annum. These are indeed frightening figures. Note that it is not just a deficit at any particular point of time, but a deficit of millions of pounds *per annum* which will be incurred—a deficit which must be made good by productive industry in the shape of increased contributions by both employers and employed unless an intolerable burden is going to be placed on national taxation. These forecasts have not escaped the attention of the Government and the Chancellor of the Exchequer has set up a committee " to review the economic and financial problems involved in providing for old age, having regard to the prospective increase in the number of the aged, and to make recommendations."

The report of this committee also will be awaited with interest. Its recommendations must be of importance to every member of the working population and, taken in conjunction with the report of the National Advisory Committee already mentioned, might, it is to be hoped, provide a solution to what is rapidly becoming an urgent national problem.

There is perhaps some comfort in the fact that the problem and its urgency are being recognised on many sides. The Government Actuary is expected to publish shortly a report on the first five years' experience of the National Insurance scheme. A study by the research group prepared for the Institute of Actuaries and the Faculty of Actuaries on *The Growth of Pension Rights and their Impact on the National Economy* has recently been published. The research group had terms of reference very similar to those of the Chancellor's committee and their investigations covered not only pensions payable under the National Insurance Act but also, as far as they were able to obtain statistics, pensions payable to public employees and beneficiaries under privately administered schemes, pension schemes with life assurance offices and pensions provided through friendly societies. The study is comprehensive and thorough. It underlines some of the prognostications made in the earlier part of this article.

Of particular interest is the relationship of pensions to the national income. The research group calculates that in 1952 the amount of pensions payable under the various schemes totalled £600 million. This represented about 4 per cent. of the national income. Thirty years from now, what is termed " the pension outgo " will have reached £1,200 million—roughly 8 per cent. of the national income. The group estimates that the ultimate pension limits will lie between £1,700 million and £2,100 million, or between 11 per cent. and 14 per cent. of the present national income. It is to be noted, however, that the group is optimistic that the " natural " increase in the national income will greatly alleviate the burden.

Even allowing for a margin of error, figures of this magnitude and the proportion of the national income which they represent are bound to cause some people, at any rate, furiously to think. It used to be said that the English are a nation of shopkeepers. There is a danger that for " shopkeepers " we shall in the quite near future have to read " pensioners."

INTRODUCING THE SMALL EQUITY-HOLDER

WHAT PROMISES TO BE THE MOST effective step yet taken towards helping the small salaried man and the wage-earner to obtain a stake in the equity of British industry—so often talked about, but usually left as a topic of conversation—is announced by *Municipal and General Securities*. With commendable enterprise, the company (which also pioneered in the unit trust itself) will accept savings at weekly, monthly or other intervals, in amounts as small as five shillings at a time, and will then put them into units of the " M. & G." General Trust Fund. This is a unit trust investing in a spread of selected Ordinary shares and those subscribing under the plan, called the " M. & G. Thrift Plan," will pay nothing more than if they had bought units in the unit trust in the normal way. Every half-year, they will receive a complete statement of their individual account in units and—for any uninvested balance less than the price of a unit, now around 25s. 6d.—in cash. There is no upper limit on subscriptions but they must aggregate at least £10 a year, including income on the units, which is reinvested.

The virtue of a scheme like this is that even if it does not add greatly to the sum-total of savings—many small savers are likely to dis-save in other directions, particularly in the Post Office Savings Bank and building societies, if they subscribe under the plan—it does introduce a new public as risk-bearing suppliers of capital at one remove, and provides them with an expertly managed spread of their investments at low cost. The trustees and managers receive remuneration and expenses at not more than 2 per cent. of the price of a unit, levied only when a unit is first issued, and a charge, taken out of income, of not more than three-eighths of one per cent. per annum of the average value of the fund.

Taxation of Oversea Branches and Subsidiaries

THE UNITED KINGDOM TAXATION system sets out to tax:

(*a*) income arising in the United Kingdom, irrespective of its owner, and

(*b*) income of United Kingdom residents, regardless of where it arose.

Nowadays these sweeping claims are mitigated by tax credit reliefs and by miscellaneous provisions of the Income Tax Act, 1952, *et seq.*

The extent to which the tax credit reliefs operate depends on the country where the income arises and on the particular type of income. For this purpose foreign countries may be grouped as:

(*a*) countries with which a double taxation agreement has been concluded, for example, the United States of America, Australia and France, which are known as "treaty countries;"

(*b*) Commonwealth countries not included in (*a*), such as India and Pakistan; and

(*c*) other countries, for example, Spain and Turkey.

The distinction between (*b*) and (*c*) is of less importance since the passing of the Finance Act, 1953, for now income from both groups qualifies for full unilateral relief as regards qualifying taxes. Special provisions apply for some "other countries" to avoid double taxation on shipping, air transport and agency profits—for example, for shipping, Japan; for air transport, Agentina; and for agency profits, Switzerland. A special agreement following the lines of the Dominion income tax relief operates for the Republic of Ireland. The United Kingdom tries to follow a standard pattern in concluding double taxation conventions or arrangements or agreements. (The proper description depends on the relative status of the contracting parties—we have an agreement with Australia, an arrangement with Aden Colony and a convention with the United States of America). But a particular treaty often contains some provision peculiar to itself. It is therefore wisest to treat each country in group (*a*) separately. For example, the agreement with the Union of South Africa does not apply to United Kingdom profits tax and to certain dividends; it is well to remember that to these excepted items unilateral relief is available, as it is generally where a double taxation agreement does not provide full relief within the statutory limits.

The issue, whether or not a trading concern is resident in the United Kingdom depends on where its central management and control are exercised or, in other words, where it keeps house or does its real business. Assuming an imaginary group of manufacturing concerns we may summarise the taxation position as shown at the foot of this page.

The apparent confusion of the group's organisation in relation to United Kingdom taxation liabilities is to an extent frozen by Section 468 of the Income Tax Act, 1952, under which Treasury consent is required to transfer control of a company resident in the United Kingdom.

We may take subsidiary "A" as typical of any subsidiary company resident and operating abroad, subsidiary "B" as typical of any subsidiary company resident in the United Kingdom and operating abroad, and branch "C" as typical of oversea branches.

A Subsidiary Resident and Operating Abroad

The French company's tax position is subject solely to the laws of France, but if it transfers profits to its parent, United Kingdom tax will arise on them to the detriment of the parent company. There are several methods of transferring profits, such as by declaring dividends or by making interest and royalty payments, although payment of royalties is not an officially approved method. The point requiring emphasis here is that retained profits are taxable only in France. If the subsidiary declares the following dividend:

	£
Gross dividend (out of profits that have borne French taxes of, say, 30 per cent.)	6,000
Less: tax, say, 18 per cent.	1,080
Net dividend received in U.K. in year to December 31, 1952	£4,920

or more appropriately:

	£
True gross dividend (£6,000 grossed at 30 per cent.)	8,571
Less: French taxes at 30 per cent. ...	2,571
Gross dividend per account ...	6,000
Less: French dividend tax at 18 per cent.	1,080
Net dividend	£4,920

(*Note:* This restatement of the dividend shows the true facts, namely, that in order to pay a dividend of £6,000 the French company must have earned £8,571.)

Concern	*Resident in*	*Operating in*	*Status*	*United Kingdom Liability*
Parent	United Kingdom	U.K. and abroad	Controlling company	Case 1 on profits; Case V on dividends from Subsidiary "A"
Subsidiary "A"	France	France and French Union	Controlled in France	Nil
Subsidiary "B"	United Kingdom	Turkey	Controlled in United Kingdom	Case 1 on profits
Parent's Branch "C"	South Africa	South Africa	Assembly and selling department for parent's products in South Africa	Profits included with parent's Case 1 liability

The parent company will be taxed as under:

Profits tax, 1952	£
Gross dividend	8,571
Profits tax payable at, say, 15 per cent.	1,286
Tax credit relief	£1,286

*Income tax 1953-54 Case V**	£
Gross dividend	8,571
Income tax at 9/-	3,857
Tax credit relief	2,365
Net payable	£1,492

* Assuming the dividend to be Nth of a series.

Thus the overall position is:

	£	£
Dividend		8,571
French tax (£2,571 + £1,080)	3,651	
Profits tax	—	
Income tax	1,492	
		5,143
Net dividend		£3,428

Ignoring franked investment income provisions, had the dividend been received from a company resident in the United Kingdom, for example, from a subsidiary grouped with the parent for profits tax purposes, the ultimate position would be the same:

	£	£
Dividend		8,571
Profits tax	1,286	
Income tax	3,857	
		5,143
		£3,428

The French tax rates used above were for illustrative purposes only; under the double tax convention between the two countries, the actual direct rate applicable to dividends paid by a French subsidiary to a British parent is 10 per cent.

If the French company remitted £6,000 as royalties, once the parent company had obtained from the French authorities official exemption of French tax on the royalties they would be remitted gross (in the sum of £6,000) and the parent company would pay tax on this amount in the normal way.

A Subsidiary Resident in the United Kingdom and Operating Abroad

Subsidiary "B" is subject to the tax laws of both the United Kingdom and Turkey. Thus its profits suffer two taxes. As no double tax convention exists between these countries unilateral taxation relief is available and from 1953-54 this provides for full tax credit relief up to the maximum United Kingdom tax rate. Thus if the Turkish tax rate were 5s. in the £ and the United Kingdom rate were 12s. in the £ (as in the previous illustration) the eventual taxes on the profits would be:

Turkish	5/-
United Kingdom	7/-
Normal United Kingdom total rate	12/-

However, any unrelieved Turkish taxes—these would arise to the extent, if any, that Turkish income and/or profits taxes exceeded 12s. in the £—or Turkish non qualifying taxes, for example, taxes on advertising expenditure that do not rank for relief, are deductible as expenses for United Kingdom tax purposes.

Oversea Branches

Branch "C" operates in a foreign country; the parent company is liable to foreign taxes, for, in effect, the parent is trading there through a permanent establishment. The branch is treated as a separate concern and accounts must be prepared to show the profits arising at the branch on the basis that all transactions are conducted at "arm's length." On the resulting profit, if any, as adjusted for local taxation requirements, foreign tax will be paid by the branch and in so far as this foreign tax rate does not exceed the corresponding United Kingdom rate, tax credit relief is available to the parent against its profits tax and income tax liabilities.

The Finance Act, 1953, introduced two additional reliefs to companies operating abroad. The first deals with unremittable overseas income: at the taxpayer's option this is now excluded from assessment until such time as the income becomes remittable. Income is "unremittable" if the foreign law, or the action of the executive of a foreign government, or the impossibility of obtaining foreign currency in an overseas territory, prevents the transfer of income to this country. If, however, foreign income is or could be converted into a foreign currency which is not "unremittable" the relief is not available. The second relief, under Section 25 of the Act, applies where overseas capital allowances are less than the corresponding capital allowances in the United Kingdom and it is anticipated that in future the position will be reversed. It is possible to postpone capital allowances where some double taxation relief would be otherwise lost.

It is important to distinguish between trading in a foreign country, which does attract foreign tax, and trading with a foreign country, which does not attract tax. Trading in a country comprises both consignment trading and maintaining a branch, management, factory or other fixed place of business in the

Illustration:

	RELIEF under Section 25		NO RELIEF under Section 25	
	Assessments		Assessments	
Year 1	United Kingdom	Foreign	United Kingdom	Foreign
Assessable profits	100	100	100	100
Capital allowances (on identical assets) ...	*45*	*20*	*45*	*20*
Capital allowances postponed (carried forward)	5			
	60	80	55	80
Taxes payable, say, 50 per cent.	30	30	27·5	30 (37·5 per cent.)
Year 2				
Assessable profits	100	100	100	100
Capital allowances	*14*	*16*	*14*	*16*
Capital allowances (brought forward) ...	*5*			
	81	84	86	84
Taxes payable, say, 50 per cent.	40·5	31·5	43	31·5 (37·5 per cent.)

country. However, in some foreign countries, for example, the United States, maintaining a warehouse there exclusively for the purchase of merchandise would not mean that trade was being conducted in the country.

The " profits taxes " imposed by some foreign countries are misnomers. It is important to bear this in mind in determining whether the foreign tax ranks for unilateral taxation relief. To qualify for relief the foreign tax must pass the following tests:

1. It must be based on profits or income;
2. It must correspond to income tax and profits tax;
3. Except for Commonwealth countries it must not be a Provincial or State tax or be levied by or for a municipality or other local body.

On Ordinary dividends only "direct" taxes rank for unilateral relief, unless either the paying company is resident in a Commonwealth country or the payee controls it. " Control " here means the possession of a holding of 50 per cent. or more of the voting power. If either of the exceptions holds, both " direct " taxes on the dividend and taxes on the profits from which the dividends have been paid (" indirect " taxes) rank for unilateral taxation relief. Preference dividends qualify for unilateral relief if the company is controlled by the shareholder receiving the dividend and the variable portion of participating Preference dividends qualifies for the relief whether or not the company is so controlled.

Taxation Notes

Expenses

THE OFFICIAL INTERPRETATION OF THE Acts gets narrower and narrower. The newest point of interpretation to come to our notice is that whereas the expenses of one partner in an accountancy practice attending the annual conference of his accountancy body are allowed, those of another partner who is on the Council of the body are disallowed on the grounds that he must have attended partly in his capacity as Council member and therefore the expense was not one wholly and exclusively for the purposes of the business, that is, one that came under Case II, Schedule D.

Contemporaneously, in the case to which reference was made on page 393 of our October issue, the official view has been stated that whereas under Schedule E the expenses of an executive director in attending meetings of a trade association may be wholly, exclusively and necessarily incurred in the duties of a director, the expenses cease to be allowable if he is appointed president. That office cannot arise from any contractual obligation to his company!

It is absurd that a legitimate expense is disallowed because of the dual nature of the purpose for which it is incurred.

It is true there is always the right of appeal, but a successful one would almost inevitably be taken to the Courts by the Revenue. Unless the law (or the narrowness of its interpretation) is changed, the time will soon come when the right men will refuse important offices because they cannot meet the expenses. It is to be hoped that the problem will be tackled by the Chancellor of the Exchequer before it becomes any more acute. This is not a matter that need cost much loss of revenue.

The Valuation of Shares under Section 55, Finance Act, 1940—Negative Goodwill

The *Law Society's Gazette* referred in August, 1954, to the statement made by the Economic Secretary to the Treasury on June 23, 1953, that he was informed that, for the purpose of Section 55, assets were valued not just as physical assets but as the physical assets of the particular company (see ACCOUNTANCY, December, 1953, page 395). If that put a greater value on the total shares of the company than was justified by the earnings record and profits prospect, then allowance was made by the Estate Duty Office for what was called " negative goodwill." The *Gazette* then stated that members of the Law Society have been told by the Estate Duty Office that the official view is that while a deduction for negative goodwill might be appropriate to a valuation by reference to a sale of the business as a going concern, it cannot be justified if a better price could be realised by selling the assets piecemeal. The Office must make an estimate of value on the basis of a sale at the best possible price. The correct interpretation of the statement referred to is that it applies only to " going concern " basis valuations, not to cases where a " break-up " basis is required by the law.

We are not happy about this attitude. Rarely would " break-up " sales realise anything like the aggregate value of the individual items taken at a notional selling value in the best market. It is well known that a break-up sale always depreciates the values.

Nobody has as much experience of valuations as the Estate Duty Office, and the point has been made many times that few cases have been taken to the Courts on valuations. To our mind this proves little. The cost and publicity of proceedings undoubtedly deter many executors who might be tempted to appeal. It has been said: " why should executors not appeal—it is not their money? " That is a specious argument. Often executors are beneficiaries; where they are not they are commonly (and correctly) guided by the beneficiaries on such a question.

In any event, the worst feature of Section 55 is its forcing sales of shares—often at some sacrifice—*inter vivos*. We may yet come to the point where the Crown has to take shares in private companies or kill the private company.

Section 55 is designed to put the shareholder in a controlled company on a par with the partner in a business. Many of the objections raised to valuations under Section 55 apply also to the valuations of private businesses. The palliatives introduced in the Finance Act, 1954, do not go very far to ease the burden of high rates of estate duty.

Valuation of Shares under Section 55—Allowance for Tax

In *Re Duffy* (1949, Ch. 28 (C.A.)) it was held that the prospective liability to tax in respect of the year beginning on April 5 following the death was not to be taken into account in valuing shares under Section 55. In respect of deaths after July 29, 1954, Section 30(3) of the Finance Act, 1954, provides that any liability of the company arising, or which may arise, after the death for taxation on income or profits is to be taken into account as if it were an actual but contingent liability at the date of death, in so far as the liability or its amount is referable to income or profits accruing before the death. In their estimation of such liability for taxation charged on income or profits arising after the death, the Commissioners of Inland Revenue are to take into account the extent (if any) to which the last mentioned income or profits are likely to be insufficient to meet the liability. It seems, therefore, that it is not the full reserve for future taxation that is to be allowed but only the amount by which it exceeds the profits of the year of assessment in question. If the death occurred on December 31, 1954, and the tax for 1955-56 were estimated at £10,000, it appears that so long as the profits of the year to December, 1955, were not less than £10,000, the Commissioners could refuse the claim for a deduction.

Income Tax Effects of Death

On the death of an individual, the income tax consequences vary according to the type of income. Schedule A requires apportionment on a time basis; so does Schedule B. Schedule C does not concern the individual. If a maintenance claim has been made under Schedule A, only proportionate relief is given.

Under Schedule D, Cases I and II, the cessation provisions automatically apply, with the result that the assessment is on the actual profits from the preceding April 6 to the date of death. The Revenue have the right to increase the assessment of the previous year of assessment to the actual profits of that year. The effect on capital allowances must be noted; all expenditure after the end of the basis period for the prepenultimate year of assessment to the April 5 before death is regarded as falling in the basis period of the penultimate year of assessment, whether or not the assessment for that year is increased to actual or remains on the preceding year basis. The basis period for the ultimate year of assessment is, of course, from the April 6 to the date of death, but only a proportionate part of the full year's capital allowances can be claimed.

Under Schedule D, Cases III, IV and V, also, the "cessation" provisons apply, with the necessary revisions of penultimate year assessments, where relevant. Case VI will be on an "actual" basis.

Under Schedule E, the income from April 6 to the date of death is assessable ("actual" basis). As the deceased was entitled to a full year's allowances, PAYE will normally have given him too little relief, and a repayment will be due.

Investment income must be brought in as income of the year in which it is receivable. Likewise annual payments fall into the year in which payable.

So much for the deceased's own income. As for his wife, her assessments remain unchanged under Schedule D. Where the previous year basis is appropriate, it "stays put." But the assessments are then split at the date of death. So we find that the assessments on the wife under Schedules A, B and E, and under Cases I and II of Schedule D are split on a time basis. Under Cases III, IV and V, the Revenue have a habit of splitting according to due dates where the interest is fixed, e.g. 3½ per cent. War Stock, Defence Bonds, etc., only things like bank interest being on a time basis.

Investment income and annual payments are still on a "date due" basis.

As for sur-tax, the total of the assessments, plus investment income, less charges, to the date of death, fixes the income. Sur-tax is chargeable at the rates for the year of death unless these exceed those of the previous year, in which event the latter rates apply.

It must not be overlooked that the widow of a deceased husband is entitled to the allowances for a full year against her income from the date of the husband's death. This may mean that the additional personal allowance and reduced rates applicable to a wife's earned income have been allowed to the date of death, and the full single personal allowance and reduced rates also allowed after the death.

Double allowances do not apply in respect of children; the relief must be apportioned.

Double Taxation Convention with Switzerland

A double taxation convention between the United Kingdom and Switzerland has been signed. The convention, which is subject to ratification, provides for the avoidance of double taxation of income and profits on the same lines, in general, as conventions already made with a number of other European countries. It is expressed to take effect in the United Kingdom from April 6, 1953. The full text has been published as a schedule to a draft Order in Council.

International Fiscal Congress

The eighth annual Congress of the International Fiscal Association was held at Cologne on September 20 to 23, and was attended by about 550 persons from 19 countries. The Congress expressed the view that a lowering of the general level of taxation was preferable to particular measures. Reports from eight national groups were submitted, and one of the subjects considered was: "Tax measures likely to encourage private savings in both movable and immovable property."

Among the subjects to be considered at the Congress next year will be the double taxation burden on distributed and undistributed profits.

Landed Estates and Estate Duty

We regret that an error occurred in the article *Landed Estates and Estate Duty* in our October issue. The first paragraph on page 389, dealing with the position of a recipient who has sold property which was the subject of a gift *inter vivos*, was based on a statement made last year by the Board of Inland Revenue. The official practice has since been changed as a result of the House of Lords decision in *Sneddon* v. *Lord Advocate* [1954], 1 All E.R. 255; 2 W.L.R. 211, and is now as stated on page 143 of our issue of April, 1954.

Estate duty is payable on the value of the property at death, and not on the value at the time of the gift or on the amount realised if it is sold during the five-year statutory period. The recipient therefore should not dispose of the gift if there is any likelihood of its increasing in value.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

INCOME TAX AND PROFITS TAX

Nationalisation of coal industry—Cessation of colliery concern—Continuance of other businesses—Compensation—Payments pending satisfaction of compensation—"Interim income payments"—Revenue payments—Whether payments assessable income or capital—Whether payments subject to profits tax as being part of profits of the trade or business carried on by the company in the years 1947-50, or exempt as arising from its colliery concern which ceased on January 1, 1947—Finance Act, 1937, Schedule IV, para. 7 (1)—Coal Industry Nationalisation Act, 1946, Sections 19, 22—Finance Act, 1947, Section 32 (1)—Coal Industry (No. 2) Act, 1949, Section 1.

C.I.R. *v.* Butterley Company Ltd. (Ch. July 27, 1954, T.R. 309) arose out of the nationalisation of the coal industry. The company carried on many trades quite distinct from coal mining. Under the Coal Industry Nationalisation Act of 1946, which transferred its colliery concern to the nation, it was entitled to compensation and until satisfaction in full was entitled to and during the years 1947-50 had received "interim income payments" or "revenue payments" which were to be equal to interest, at a rate or rates prescribed, on the amount of compensation. In regard to income tax, it had been contended first that the payments formed part of the profits of its coal mining business which had ceased on January 1, 1947, and were, therefore, not assessable and, alternatively, that they were receipts of capital and not income. The Special Commissioners had held that they were assessable revenue receipts and Roxburgh, J., had no doubt but that they were right. The question, as the judge said, with which he was really concerned related to profits tax.

The Special Commissioners had found in favour of the company's contention that the payments were not part of the profits of the trade or business carried on by the company during the relevant chargeable accounting periods but arose from the colliery concern which had ceased on January 1, 1947. Counsel for the Crown resisted this argument but was cut short by the judge, who found that the alternative Crown argument that the payments were "income from investments or other property" within paragraph 7 (1) of the Fourth Schedule to the Finance Act, 1937, as amended by Section 32 (1) of the Finance Act, 1947, was inescapable. He held that whilst the compensation could not in the circumstances be regarded as an "investment" it was plainly a *chose in action* consisting of compensation due but unpaid and fell directly within the words "income received from other property." Counsel for the company had apparently argued that the payments were additional to the compensation as a correlative right. The case, as the judge remarked, "will probably go elsewhere," very large amounts of tax being involved.

INCOME TAX

Earned income allowance—Charges on income in respect of building society interest and bank interest on overdraft—Whether deductible in computing earned income relief—Income Tax Act, 1918, Sections 14, 17, Schedule D, No. XVII—Finance Act, 1925, Section 15—Finance Act, 1927, Section 40(3).

Lewin *v.* Aller (C.A. July 8, 1954, T.R. 283) was the subject of a full note in our issue of July last at page 272. In the Court of Appeal the judgment of Wynn-Parry, J., upholding the decision of the General Commissioners in favour of the Revenue was unanimously affirmed, the decision of Rowlatt, J., in *Adams* v. *Musker* (1930, 9 A.T.C. 216; 15 T.C. 413) being held to be correct. Mr. Lewin, as before, conducted his own case: but it is an old saying that "those who play with fire must not complain of burnt fingers." From the discussions as to costs following the Court's decision it would seem that Mr. Lewin's fingers have been so badly burnt that it is impossible to withhold a measure of sympathy for the plight into which he has got himself.

Sums received from exploitation of film rights—Grant of exclusive right to respondent to exploit film in United Kingdom, Eire, the Channel Islands and the Isle of Man in consideration of lump sum and share of gross receipts—Grant to company of exclusive rights for whole period in consideration of share of gross receipts—Whether respondent's share of receipts assessable income—Income Tax Act, 1918, Case III, Case VI.

Mitchell *v.* Rosay (C.A. July 12, 1954, T.R. 289) was the subject of an extended note in our issue of July last at page 272. The Special Commissioners had discharged an assessment upon the respondent in respect of her share of the receipts, finding it impossible to distinguish the case sufficiently from *Nethersole* v. *Withers* (1948, 27 A.T.C. 23; 28 T.C. 514) and *Earl Haig's Trustees* v. *C.I.R.* (18 A.T.C. 226; 22 T.C. 725). Wynn-Parry, J., had reversed their decision, holding the two cases to be distinguishable, and a unanimous Court of Appeal affirmed his decision, Evershed, M.R., giving the only judgment.

In the writer's previous note the difficulty of distinguishing between the contracts in the present case and those in the *Haig* case was pointed out. The lucid judgment of the Master of the Rolls stresses the importance of taking into account all the circumstances of a case; and it would seem that the *Haig* decision is to be regarded, in effect, as a finding of fact which cannot be regarded as governing other cases of similar contracts except where there are special circumstances present of equal importance to those which determined that case.

Profits of stud farm—Transfer of horses to racing and training establishment maintained for purely recreational purposes—Basis on which amounts credited in accounts of farm calculable—Income Tax Act, 1918, Schedule D, paragraph 1—Finance Act, 1941, Section 10—Finance Act, 1942, Section 28—Finance Act, 1948, Section 31(1) (a).

Sharkey *v.* Wernher (C.A. July 7, 1954, T.R. 273) was noted in our issue of January last at page 27. The issue was whether in making the necessary credit entries in the stud accounts the horses transferred to the recreational racing establishment should be valued at cost or at market value. The Special Commissioners had decided in favour of the respondent, holding that the case relied on by the Crown, *Watson Bros.* v. *Harnby* (1942, 21 A.T.C. 279; 24 T.C. 506) was distinguishable; but Vaisey, J., had reversed their decision. He found himself unable to distinguish and therefore bound to follow the earlier judgment, saying also that he was by no means convinced that it was wrongly decided. For Lady Wernher it had been argued that the decision of Macnaghten, J., in the *Watson* case was irreconcilable with the decisions of the Court of Appeal in *Laycock* v. *Freeman, Hardy and Willis Ltd.* (1939, 17 A.T.C. 450; 22 T.C. 288), and *Briton Ferry Steel Co. Ltd.* v. *Barry* (1940, 18 A.T.C. 318; 23 T.C. 414) and this was the unanimous opinion of the Court of Appeal, the decision of Vaisey, J.,

being reversed and the *Watson* case overruled. The Court also unanimously disapproved *C.I.R.* v. *Wm. Ransom & Son Ltd.* (1918, 2 K.B. 709; 12 T.C. 21) in so far as the valuation basis adopted there was market value instead of cost.

Seeing that the *Watson* decision was later than the two Court of Appeal cases, their lordships were agreed that Vaisey, J., was right in holding himself bound to follow it. The Master of the Rolls pointed out that the case in question had not been cited to Macnaghten, J., but Jenkins, L.J., said it was not necessarily to be assumed that when he decided the *Watson* case he had not those two earlier cases in mind. The unanimous view of the Court is apparently that the duty of a judge of first instance is to follow precedent irrespective of quality and the argument that a case was wrongly decided can only avail before a higher Court. Leave was given to appeal to the House of Lords. For the time being the general principle that a man cannot trade with or make a profit out of himself is reaffirmed and the decisions discordant with that principle have been overruled. It cuts both ways. In the *Watson* case the Crown argued for cost and lost. In the present case it argued for market value and again lost.

Reopening of accounts—Flour milling—Control of industry during war by Ministry of Food—Applications by and grant to respondent in 1941 of licence—Remuneration by rebates on wheat purchases—Schemes of compensation—Restriction of scheme to millers engaged in industry at beginning of war—Exclusion of respondent from scheme—Cessation of trading by respondent in 1945—No legal or equitable right to remuneration other than rebates—Payments in 1949 as if within scheme—Whether despite cessation in 1945 respondent's share of payments assessable to tax—Income Tax Act, 1918, Case I.

Severne *v.* Dadswell (Ch. July 30, 1954, T.R. 319) was a case of a type with which those concerned with taxation problems have become familiar. Respondent, a trained flour miller, had ceased to mill flour in 1929. In 1941, wishing to restart, he had applied to the Ministry of Food, which from the outbreak of war in 1939 was in control of the whole industry, for a licence to mill flour. It was granted to him in October 1941. His remuneration was to be by rebates on wheat sold to him by the Ministry and by payments in respect of home-grown wheat purchased by him. These payments were necessitated by the fact that millers had to sell their flour at control prices. At the beginning of the war licences had been granted to all millers who were then milling and these millers—the "pool millers"—had formed "The British Millers Mutual Pool Ltd." and this company had negotiated a remuneration agreement whereby any member who suffered loss under the rebate system became entitled to compensation. Respondent, not being engaged in milling at the outbreak of war, was not and could not become a pool miller and was not entitled to benefit under the agreement. He had ceased to trade at September 30, 1945, when his business was taken over by a company called James Hodson (Millers) Ltd.

There was no statutory enactment or agreement with the Ministry whereby non-pool millers were to receive anything more than the rebates above-mentioned but on March 3, 1942, respondent had received forms and documents with a covering letter in which there was reference to:

> any remuneration to which you may become entitled as a flour miller

and, eventually, in circumstances set out in the judgment, two payments were made in 1949 in respect of the flour milling by respondent and the successor company, of which respondent's share was £3,289. The Special Commissioners had held in 1953 that respondent had no right to any payment other than the rebates as a licensed miller and that the 1949 receipts were *ex gratia* payments and not trading receipts in his hands. Roxburgh, J., reversed their decision. He said he had been referred to the series of cases commencing with *Isaac Holden & Sons Ltd.* v. *C.I.R.* (1924, 3 A.T.C. 633; 12 T.C. 768)—the Woolcombers case—and had been convinced that:

> the relevant question is not whether at the date of retirement there was any outstanding book debt or any contingent or deferred legal or equitable right, but whether any work had been done in the course of trade in respect of which the reward had not been finally settled.

In *Northern Aluminium Co. Ltd.* v. *C.I.R.* (1947, 26 A.T.C. 123; 1 All E.R. 608) Lord Greene in the Court of Appeal stated the general principle as follows:

> Broadly speaking, it was held in those cases that the subsequent receipt of an addition to the price was referable to the transaction under which the goods were sold. . . . Then the increased price was held to be referable to the original transaction and therefore the accounts must be reopened to bring that increase into the profits of the company in the accounting period.

Roxburgh, J., concluded his judgment by saying that on December 28, 1943, respondent's accountant had been informed by the Ministry that the remuneration of the non-pool millers was under consideration and on October 27, 1944, and again on May 11, 1945, that it was still under consideration. In those circumstances he said that he had no hesitation in holding that payment for respondent's work as flour miller had not been finally settled on September 30, 1945, when respondent ceased to trade.

Charity—Settlement—Imperative direction to trustees to distribute whole income of trust among a number of persons and classes of persons including, finally, respondent charitable trusts—Absolute and uncontrolled discretion of trustees—Class of beneficiaries membership of which unascertainable at any given moment—Whether gift of income void for uncertainty—Income Tax Act, 1918, Section 37.

C.I.R. *v.* Broadway Cottages Trust, C.I.R. *v.* Sunny Lands Trust (C.A. July 26, 1954, T.R. 295) were noted in our July issue at page 271, where the issue was set out. The Special Commissioners had decided that in each case there was a valid and effective trust of the income of each trust fund and that the trustees were entitled to exemption from income tax under Section 37 of the Income Tax Act, 1937. Wynn-Parry, J., had reversed their decisions, holding that in both cases the trusts were void for uncertainty both as to capital and as to income. A unanimous Court of Appeal affirmed his decision, Jenkins, L.J., giving the judgment of the Court. Leave to appeal to the House of Lords was granted. The careful and exhaustive judgment in the case, whilst it will of course be carefully studied by the draftsmen of settlements, is unsuitable for extended consideration here.

Hemel Hempstead New Town

The Hemel Hempstead Development Corporation has issued a brochure on the new town which is being built there as an extension and re-development of the existing borough. The central commercial area will soon have 100,000 square feet of offices, and first option on this accommodation is offered to firms at present in central London who are able to move all or part of their administrative and accounting staffs. Many firms would find it very profitable to move away from the congestion of Central London, and facilities exist for the buying or renting of houses and flats for their employees. Offices will be let at about 5s. to 6s. a square foot exclusive, or firms can build their own offices on fully serviced sites.

The Month in the City

Booming Industrials

In the closing week of September there was a revival of the demand for industrial equities which, after a further short pause, raised the index by October 20 to an all-time high level of 179·4. Meanwhile, the Funds had been slightly irregular, but fixed interest securities in general were climbing towards a new high level for the past two and a half years. It is interesting to note that almost at the third anniversary of the coming to power of the present Government and with Bank Rate a whole point up on the period, both gilt-edged and industrial equity yields were down about 2s. 6d. per cent. while the equity index had risen by some 27 per cent. and some of the "blue chips" by a good deal more than that. There had been very substantial fluctuations between the two dates and the equity index was no higher at the end of March, 1954, than on the eve of the General Election in October 1951, so that the past six months or so brought a remarkable boom. Industrial profits have been rising for a twelve-month and the rate of rise has increased each quarter, although it is well below the levels of 1951. But since 1951 there have been several other changes. As a result of higher productivity the general level of profits is now higher, while dividend policy is less conservative. Further, in so far as market prices are concerned, there is more personal saving and there has certainly not been a great flow of demands for new money by industry. It is true that this year September produced something of a record in new capital issues for the month and that the nine months' aggregate of issues is some 10 per cent. up on the year, but the rise in private saving is almost certainly greater than this.

A Month of Conferences

It is probable that factors such as those mentioned in the preceding paragraph have been much more potent than the actual events of the month—except for a number of company announcements, most of which have been wholly favourable to holders—in determining the course of stock prices. The meetings of the *World Bank* and *International Monetary Fund* made it clear that sterling convertibility is to be deferred and the deferring seems to have been taken as a bull point for industrials. The Labour Party Conference had virtually no effect, but some of Mr. Butler's statements at Blackpool were read as encouragement for the bulls in that they were held to forecast tax concessions. Since then, however, he has made it clear that he expects industry to save more and devote less to increased dividends and the reason given for saving is specifically to help, by increased industrial investment, to meet growing competition. This statement, coupled with the strike of the dockers and *London Transport* difficulties, may have been the reason for a slight setback in stock markets after October 12; but, temporary setbacks notwithstanding, the undertone of the markets seems stronger than it was and there is a steady investment demand for securities. A further bullish point is the recent recovery in many raw material prices—a rise which may presage a further rise in commodity shares. As between September 21 and October 20 the indices of the *Financial Times* show the following changes: Government securities, from 105·56 to 105·83; fixed interest, from 116·82 to 117·15; industrial equities, from 169·9 to 179·2; and gold shares, a further decline from 95·68 to 95·06, after touching 92·60.

John Summers Issue

As was expected, the month saw a further offer of steel company shares, namely nine million Ordinary shares of £1 each in *John Summers* at 24s. 6d. per share. Actually £750,000 of these had been taken by the United Steel Companies, a much smaller amount than their original holding in the company in pre-vesting days. Applications from previous shareholders, existing debenture holders and the public did not cover the whole issue, but under the existing system of underwriting there was a material over-subscription and a premium, which has now risen to 9d., was established within minutes of the commencement of business. At the issue price the yield of £7 7s. per cent. is in sharp contrast with a return of some 4¾ per cent. on the general run of equities in the capital goods industries.

Wage Stability

In addition to giving some further explanation of the results of the *Finance Corporation for Industry*, Lord Bruce took advantage of the annual general meeting to set out some of his ideas on a number of subjects. Among these was a proposal, which he attributed to Mr. Harry Ferguson, to secure the agreement of labour to a policy of stabilising wages—presumably this means the general level of wage rates—and concentrating upon a reduction in the cost of the finished product. This is a greatly superior alternative to the race between wage rates and prices which looks like breaking out again and which will probably lead before long to new balance of payments trouble. Unfortunately, in the last analysis, the plan seems to involve the possibility of some falls in wage rates. Even if these falls were fully compensated by lower prices it is difficult to see the trade unions accepting them and nothing is possible in this field without the co-operation of organised labour. Nonetheless, if there were to be some successful compromise it would materially affect the relative attractiveness of equities and fixed interest stocks.

The Church and Equities

The report of the *Church Commissioners*, the body which administers much of the Church of England property, shows that in recent years there has been a very considerable switch out of the Funds into industrial equities. This process may go on for some time but the limit at present set upon equity holdings will be exhausted in a year or less if the present rate of transfer is maintained. The proceeds of the fund invested are used primarily for the payment of stipends and this is not so very different in its nature from the provision of pensions. If immediately after the war there had been a tendency for pension funds to switch from gilt-edged to first-class equities, the present lot of many pensioners would be much better than it is. It may be that the publicity given to this particular operation will cause some of those in charge of such funds to vary their practice or to apply for a change in the terms under which they operate.

Mr. B. D. Tait has been appointed a lecturer in cost and management accountancy at Loughborough College of Technology. The appointment has been made by the Board of Governors of Loughborough College in conjunction with the Institute of Cost and Works Accountants, under whose guidance Mr. Tait will undertake certain research projects on behalf of the Institute.

Points From Published Accounts

Disclosure and Mergers

TREATING THE WORD "ACCOUNTS" IN ITS widest sense it is justifiable in this section of ACCOUNTANCY to deal with those complicated circulars which are sent out when an amalgamation between two companies is proposed. These circulars are usually excellently compiled, and the point that the average shareholder is mostly interested in, how his income position will be affected, is usually brought out with masterly clarity. This is not surprising, as it is the major factor in swinging opinion in favour of an amalgamation.

But so far as the writer is aware, there never has been an attempt to show the shareholder how the amalgamation will change his assets cover and dividend cover: it is left to the sleuths of the financial Press to unravel the complications of these aspects of the proposals. It is by no means uncommon for the company which is being engulfed to show better assets or earnings cover than the combination, but the point is never mentioned, let alone displayed. And the income position before the merger can be weaker than the position after it, solely by virtue of differing distribution policies.

Frequently, too, amalgamations are proposed on the basis of out-of-date profits and balance sheet figures, and it is surprising that directors supporting proposals for a merger are content to set out the pros and leave it to the critics, working on inadequate knowledge, to point out the cons, which may well be vitiated by the facts known to the Board. As Mr. Wolfson and others have proved, directors' advice on the merits of a bid is not always foolproof.

The timing factor also crops up with capital reorganisation proposals when the Preference shareholder is asked to sacrifice his dividend arrears and receive a share of the Ordinary capital in compensation. Here again, there is usually no indication of the up-to-date profits picture, or of the likely dividend on the reconstructed Ordinary capital. It is hardly surprising that Preference shareholders should take a jaundiced view of capital reconstruction proposals.

Group Accounts Only

More and more group companies are doing away with the parent profit and loss account. Others continue to publish both this account and the parent balance sheet separately, sometimes giving them preference in order of presentation over the all-important group figures. This has been done by *Alex. Lawrie*, whose shareholders have to turn three pages before they get to the group results. If they are bogged down in the earlier figures they are probably exhausted by the time they get to the group figures!

Another criticism, which can also be levelled at many other companies, is that the dividends are given as a lump sum in the group profit and loss account. Quoted investments are not included with current assets. They are instead taken in separately at their year-end market value, and it is possible that they are in the nature of permanent holdings. The liability to Excess Profits Levy is lumped with profits tax, but as the sum is insignificant this criticism is not important. There are, however, a few other companies which, though their liability to the levy is obviously large, refuse to disclose it, ignoring that it is a matter of cardinal importance in calculating "ex-E.P.L." earnings.

In all other respects the *Alex. Lawrie* accounts are very well compiled, with the valuable feature that they are accompanied by the chairman's speech.

Net Profits Definition

Can "net profits" be defined by the accountancy profession for accounting purposes? Or is this too much to ask? The *Concise Oxford Dictionary* defines "net" as "Free from deduction, remaining after necessary deductions, (*n. profit*, true profit, actual gain after working expenses have been paid, opp. GROSS; . . .)". If tax is a necessary deduction then those companies compiling a profit and loss appropriation account should not take to it a net profit before deducting tax. To strike a "net profit before taxation" is like describing a clean boy as a dirty boy before washing.

Enigmas

The group profit and loss account of *Parkland Manufacturing* shows the dividends paid to minority shareholders, but not their attributable net profits. The tabular presentation is a long recital of addition and subtraction, and the shareholder has to decide for himself which figure is the net profit. He may be misguided in this, as there are further complications, indicated by a footnote, namely, that the latest group figures include eighteen months' results of a subsidiary, and two months' results of five newly acquired companies. In circumstances like these it seems a pity that directors cannot supply shareholders with the material to enable them to arrive at a "normal annual net profit," excluding and including the new interests. The company has nearly doubled the book value of its investments in subsidiaries, to £816,272, so that this information could be of considerable significance.

Wry Neck

Once again the plea is put that company accounts should be printed in one plane. The number that are not so printed is now very few, but in one that has reached the writer the directors' report is printed in the usual horizontal plane and the profit and loss account and balance sheet are in the vertical plane. If the report were more informative than it is, it would have been necessary to keep twisting and turning either the accounts or the neck in order to assimilate the picture.

Another company has its report, accounts and chairman's speech printed on a single sheet which is folded into three. The amount of twisting and turning entailed in getting to grips with the accounts and speech can be imagined. If the company's meeting is well attended by intelligent types one can imagine a "Hazel" being created by shareholders turning over the sheet in order to keep pace with the chairman's remarks!

Distribution of "Satellite" Assets

The Administrators of Roumanian, Hungarian and Bulgarian Property, having received Treasury directions for the distribution of assets of these countries to certain classes of creditors, have issued application forms to persons who have asked for them. Any other person wishing to claim should apply for a form to the appropriate Administrator (Branch 7, Lacon House, Theobalds Road, London, W.C.1). No application form can be accepted by the Administrator of Roumanian Property after January 1, 1955, or by the Administrator of Hungarian and Bulgarian Property after February 28, 1955.

The address of George Anson & Co., Ltd., the office machines and systems company, is Anson House, 58 Southwark Bridge Road, London, S.E.1. Telephone: Waterloo 3746/9. We regret that an error occurred in their advertisement on page x in our issue of last month.

Readers' Points and Queries

Transfer of Assets between Related Companies

Reader's Query.—We have recently been dealing with a case of two small manufacturing companies who decided to form a third company to take over their assets at a certain date, with a view to increasing efficiency in both businesses. The assets were taken over at their balance sheet values.

It was suggested to the Inland Revenue district concerned that the assets upon which capital allowances had been claimed be deemed to be transferred at their written-down values. Our clients were prepared to give an undertaking in writing that if any of these assets were sold or otherwise disposed of in the future the Revenue could look back to the original cost of the assets when considering the balancing allowances or balancing charges.

The Inspector considers that we should use the balance sheet figures for tax purposes. This would give rise to a balancing charge on the old companies and initial allowances to the new company.

In another case where the transfer of assets was between related persons we were successful in obtaining permission to use the income tax written down values. We are not clear in which cases Section 646 of the Income Tax Act applies. Do the assets concerned have to be transferred or sold at less than the fair market price? The paragraph itself does not seem to cross-refer to Section 644, but only to Section 643, which in this particular case is relevant.

Reply.—Unless there is a sale between persons under mutual control, or a sale designed to "save" tax by obtaining capital allowances, Section 327 does not apply and therefore the 14th Schedule (paragraphs 643-646 in the official reprint of the Acts) is inoperative. The Section applied only where one or other of the above facts was applicable and *the price was other than market value. Now, by Section 23 of the Finance Act, 1954, the Section can apply to sales at market value.*

The reader says that paragraph 1(a) of the Schedule is relevant, in which case the taxpayer has the right under paragraph 4(2)(b) to take the written down value for income tax as the transfer price.

Had it been a sale between controlled persons, paragraph 6 of the 6th Schedule, Finance Act, 1952, gives similar rights.

Balancing Charge—Private Use of Car

Reader's Query.—As you have pointed out in your reply (ACCOUNTANCY, September, page 356), the only fair way of finding the true balancing charge is to apportion the full charge between actual and notional in proportion to the actual and notional allowances given. We had an interesting case some time ago when the right of set-off was claimed. The full balancing charge on the sold car was £184, but as the private element of capital allowances had been one-tenth, we claimed that the balancing charge for set-off against the cost of the new car should be nine-tenths × £184=£165.

In another district, however, in a similar case, the Inspector contended that actual and notional balancing charge should be set-off against the cost of the new car. This treatment, as will be quickly seen, is to the detriment of the claimant and in our opinion is not correct.

Inspector A	£	*Inspector B*	£
New car ...	375		375
Balancing charge 9/10 × 84 ...	165	Balancing charge	184
Brought down figure for capital allowance ...	£210	...	£191
i.e. asset lifetime: Business £189. Private £21.		i.e. asset lifetime: Business £172. Private £19.	

Reply.—We agree. Section 293 applies to each unit of machinery or plant for the purpose of arriving at the balancing charge. Once that has been calculated, Section 296 takes over and provides that the balancing charge (not a notional one) can be deducted from the cost of the asset replacing the one in question.

Publications

THE PRINCIPLES OF MODERN COMPANY LAW. By L. C. B. Gower, LL.M. Pp. xl + 599. (*Stevens & Sons, Ltd., London. Price £2 5s. net.*)

Company law is the subject of a number of text-books of various sizes written from different points of view. Professor Gower's is not a text-book, though embedded in its pages there is an adequate statement of the law; it is a narrative of the history and a discussion of the principal problems of company law. The subject is hardly one that makes for leisure reading, and the practitioner will turn first and probably last to some other bread-and-butter treatise. Yet the author, who writes in a lucid style, is often very stimulating, and what he writes illumines many legal problems of an eminently practical character. Professor Gower is both a solicitor and Professor of Commercial Law in the University of London. Thus he does not see the law as an end in itself but can relate it to the needs of business men.

The modern system of the incorporation of companies with limited liability by simple registration has been in force for nearly a century. Despite all the changes in the law since the Joint Stock Companies Act, 1856, incorporation in this country remains an easily attainable process—far easier and far more flexible than in many other countries. Since 1856 the tendency in the law has moved to safeguarding shareholders and creditors by restricting in various ways the freedom of companies in being, though without making companies less easy to create. The *laisser-faire* notion that men could be trusted to look after their own interests yielded before protective legislation. At the same time the law followed public opinion, for what stage by stage was made compulsory had usually been nothing more than good company practice. An example which springs to mind is consolidated accounts, which the Companies Act, 1948, has now made compulsory but which auditors had made familiar long before. Another example is the information required to be disclosed in prospectuses. The Courts, on the other hand, have eschewed a paternalist attitude, with the result that shareholders have often searched in vain for protection against what in a business sense is the infraction of their rights. Professor Gower makes extended reference in this connection to the protracted *Greenhalgh* v. *Mallard* litigation. For all who have a special interest in company law his is a book which is well worth studying.

S. D. T.

THE USE OF THE REVENUE BUDGET AS A MEANS OF FINANCIAL CONTROL. Pp. 80. (*The Institute of Municipal Treasurers and Accountants, Incorporated. London. Price 20s. net.*)

This little book embodies the results of research carried out by six members of the Treasurer's Department of the Hertford County Council, at the request of the Institute of Municipal Treasurers and Accountants. The research was based mainly on a questionnaire, with 44 headings, addressed to 82 of the 1,530 local authorities in England and Wales, but inquiries were also made of the Treasury, a small number of public boards and three companies. The title of the book is a little misleading, for its scope is restricted to the budgetary practices of local authorities, the information obtained from other sources being used for comparative purposes only.

In the authors' summary of the forms of budget and methods of preparation adopted by the local authorities wide differences of practice are revealed. Much of the discussion centres on the form of presentation to committees and to the council, and on the functions of the finance committee and of "spending" committees (and their respective chief officers) in the preparation of the budget. But to be effective a budget must be built from the ground up and must be related to the individuals who actually control operations and expenditure: the amount of detail which "top management"—here the committee or council—requires before approving the budget is not really at the heart of the matter, and may well differ from authority to authority. Thus these chapters leave one with the impression that there is a weakness in local authority budgetary practice, and this impression the chapter dealing with budgetary control does nothing to dispel. Few authorities, it seems, make detailed, systematic and frequent comparisons of actual results against the budget. Perhaps this is as well, because few appear to embody in their budgets sufficient statistical and other data to enable the justification for subsequent variations to be adequately judged. It is a little disappointing, therefore, to find that the chapter dealing with the budgetary practices of other forms of organisation and their suitability for application to the local authority field is rather cursory. Anyone who compares the different purposes, as recorded in this book, for which a local authority budget and an industrial budget are prepared, must feel that the authors' assertion that there are "some lessons" to be learnt from industry is an understatement, even though all our industries are not as up-to-date in this field as we would like Americans to believe. However, the authors seem to have had second thoughts on the point, because in a useful summary of conclusions they agree that local authorities have "much to learn" from industry and commerce.

The book is written in plain English, though here and there the reader's sensibilities are sometimes jarred by rather laboured passages apparently designed to give a certain liveliness of style which the book otherwise lacks; perhaps this lack stems from the composite authorship. Nevertheless, the authors are to be congratulated on producing such a dispassionate survey of a subject of much topical interest and on putting forward a number of suggestions for improving existing practice, suggestions which merit careful consideration by all those directly concerned with local authority finance. It is to be hoped that they will find time to carry their researches a stage further by examining, in some detail, what might be learnt from best industrial and commercial practice.

For a book of only 80 pages, the price of 20s. appears a little on the high side; and if it could have been reduced by sacrificing the rather ornate cover, nothing would have been lost. C. A. F.

BOOK-KEEPING—THE MODERN APPROACH. By Squire H. Flitcroft, B.COM., A.C.I.S. Pp. vii + 255. (*Sir Isaac Pitman & Sons, Ltd., London. Price 7s. 6d. net.*)

The reviewer once overheard the remark that book-keeping is "an exotic creed for making the obvious appear difficult." While he does not subscribe to this remark it is true that beginners find the subject baffling; accordingly any new method of approach to the teaching of the subject must receive careful attention.

The author lays down that his aims are first "to enable the student of normal ability to assimilate the subject by private study." To make this practicable, answers to mathematical exercises should be incorporated. Secondly, he sets out "to provide a teacher with a method of approach." The balance-sheet approach propounded has much in its favour in that, before introducing the technical complications of the double entry system, it discloses the ultimate aim of book-keeping. Experience shows that this method of teaching achieves its purpose in the final analysis, but to the beginner the transition from general principle and ultimate aim to a consideration of the technical processes of double entry soon gives the impression of an "exotic creed." The approach pays dividends in the later stages when final accounts are prepared, and when, coupled with calculations and comparison of results, it emphasises that book-keeping is a means of arriving at and explaining the financial progress of a business between two particular dates. The method therefore has much to commend it.

References in this work to the documents in common use, the slip system of posting and card and loose leaf ledgers keep the practical aspect before the student. The author's remarks on dates, neatness and accuracy are well worth making, but more attention might have been paid to that most practical of matters—folio-ing. The discussion of the breakdown of the ledger (page 59) must inevitably complicate this matter of folio-ing for beginners.

The sections dealing with final accounts rightly call attention to the question of lay-out. In the reviewer's opinion, a separate heading for the trading account and the profit and loss account is a mistake; these accounts are best looked upon as a single revenue statement conveniently divided into sections to show gross and net margins.

The scope of the text-book is sufficient for elementary purposes and seems to meet the requirements of the examination papers on Principles of Accounts of the Royal Society of Arts.

The work is an admirable introduction to the subject, adequately supplied with illustrations and exercises, well indexed. It shows unmistakably the deep thought the author has given to problems of teaching at the elementary level. I. H.

BOOKS RECEIVED

SPICER AND PEGLER'S PRACTICAL AUDITING. Eleventh Edition by Walter W. Bigg, F.C.A., F.S.A.A. Pp. xxiii + 501. (*H.F.L. (Publishers), Ltd. Price 27s. 6d. net.*)

THIS FAMILY BUSINESS, 1828-1954. (*Benjn. R. Vickers & Sons, Ltd., 5 Grosvenor Road, Hyde Park, Leeds, 6*).

WATFORD'S FINANCES for the year ended March 31, 1954. Pp. 39. (*Borough Treasurer's Department, Town Hall, Watford*).

COUNTY BOROUGH OF WEST HAM.—A Financial Summary for the year ended March 31, 1954. Pp. 19. (*Borough Treasurer, Municipal Offices, The Grove, Stratford*).

CALENDAR REFORM AND THE SEVEN-DAY WEEK. A Clarification. By Elisabeth Achelis, James Avery Joyce and Daniel Sher. Pp. 29. (*The World Calendar Association, 20 Buckingham Street, Strand, London, W.C.2. Price 1s.*)

APPROACH TO MANAGEMENT ACCOUNTING. By R. H. S. Beacham, B.COM., B.SC. (ECON.). Pp. 76. (*Society of Commercial Accountants Ltd., London. Price 5s. net.*)

Legal Notes

Contract and Tort—Exceptions Clause in Contract.

If a servant acting within the scope of his employment negligently injures a person or his goods, the injured person can normally sue either the master or the servant or both. In contracts of carraige the carrier frequently inserts a condition limiting or excluding liability for negligence, and in contracts of carriage of goods the servants of the carrier as well as the carrier himself are entitled to claim the protection of the condition. It has just been held in **Adler v. Dickson** [1954] 3 W.L.R. 450, that the same principle does not apply to contracts for the carriage of passengers.

A., while a passenger on board a ship, suffered injuries which she alleged to be due to the negligence of the master and boatswain and she brought an action against them personally. Upon her ticket, which formed the contract between A. and the shipping company, there was a condition exempting the company from any liability for personal injuries suffered by passengers. The master and boatswain argued as a preliminary point of law that they were entitled to take advantage of this condition. Pilcher, J., held that there was no implication in the present case that in inserting this exemption clause the company was acting as the agent of every member of the crews of their vessels so as to confer upon them the protection against personal liability for negligence which such clauses afforded to the company itself, and the servants were not entitled to that protection.

It should be noted that in this particular contract there was no specific provision that the servants of the company should not be personally liable to passengers in tort, but it is doubtful whether such a provision would help the servants.

Executorship Law and Trusts—Liability under Administration Bond.

In **Harwell v. Foster** [1954] 3 W.L.R. 351, the Court of Appeal reversed the decision of the Lord Chief Justice in *Harwell* v. *Foster* [1954] 2 W.L.R. 642, which was noted in ACCOUNTANCY for July, 1954, (page 283). The infant beneficiary of an estate elected that her husband should be appointed administrator and guardian until she became twenty-one. He received the net proceeds of the estate after all debts had been paid but failed to account to her for the whole of the money when she became twenty-one, She then sued the sureties under the administration bond.

The Lord Chief Justice had dismissed the claim on the ground that as soon as all the moneys had been received and the debts paid the administration was finished and the position of the husband changed from that of an administrator to that of a trustee. The Court of Appeal, however, held that the husband remained liable as an administrator until either he accounted for all the money to the beneficiary when she came of age or he vested the money in a trust corporation or two or more individuals appointed under Section 42 of the Administration of Estates Act, 1925.

Insolvency—Attachment of Debt Due from Crown.

In **Re Lupkovics** [1954] 1 W.L.R. 1234, a wife had made loans to her husband, a doctor, for the purposes of his practice and obtained judgment against him for £5,500 and costs. She then obtained garnishee orders absolute against a body which owed some £150 to her husband and that sum was duly paid to her. She also took proceedings under Section 27 of the Crown Proceedings Act, 1947, against the Ministry of Health for a large sum of money due to the husband under the National Health Service Act, and obtained an order that £2,786 should be paid to her on condition that this sum should be retained by the solicitors for six months in case the husband went bankrupt and the trustee claimed the money. Before the six months was up the husband did go bankrupt and the trustee did claim the money.

As the loans made by the wife to the husband were made for the purposes of his business, *prima facie* the wife's claim was deferred to those of other creditors under Section 36(2) of the Bankruptcy Act, 1914, and the Court held that the character of her debt was not altered by the fact that she had obtained judgment for it: the trustee was entitled to go behind the judgment to investigate the nature and the grounds of the debt. The wife was entitled to retain the £150 under Section 40 of the Bankruptcy Act, 1914, because the attachment of the debt had been completed by the receipt of the debt, but she could not retain the £2,786 because, although the proceedings under the Crown Proceedings Act were by way of attachment, the debt had not been received by the wife: the solicitors were holding the money as stakeholders.

Miscellaneous—Trade Disputes.

In **R. v. Industrial Disputes Tribunal, *ex parte*, East Anglian Trustee Savings Bank** [1954] 1 W.L.R. 1093, the Divisional Court held that the Industrial Disputes Tribunal had jurisdiction to hear a dispute between a trustee savings bank and its employees. Even though trustee savings banks are non-profit-making and carry on their business rather differently from ordinary banks they are "undertakings" within the meaning of Article 1 of the Industrial Disputes Order, 1951.

INSTITUTE OF INTERNAL AUDITORS

London Chapter

PROGRAMME 1954-55

1954—*November 3*: "Accounting for Large Scale and Group Operations," by Mr. H. W. Parker, A.C.A., at 12.30 p.m.

November 27: Day Conference, at 10 a.m.

1955—*January 5*: "Reorganisation," by Mr. E. L. G. Robbins, B.SC.(ENG.), A.C.G.I., M.I.MECH.E., at 6.30 p.m.

February 2: "Problems of Auditing Overseas Operations," by Mr. J. R. Robinson, A.C.A., A.C.I.S., at 12.30 p.m.

March 2: "Some Engineering Aspects of Internal Auditing," by Mr. C. Mackechnie Jarvis, M.I.E.E., A.I.MAR.E., M.CONS.E., F.L.S., at 6.30 p.m.

April 6: "Fraud and Its Investigation," by Detective-Inspector Cudmore, Company Fraud Department, New Scotland Yard, at 12.30 p.m.

May 4: Case Studies, introduced by Mr. F. A. Callaby, F.C.I.S., F.A.C.C.A., F.C.W.A., at 6.30 p.m.

June 15: Annual General Meeting, at 6.30 p.m.

Meetings will be held at the Kingsley Hotel, Bloomsbury Way, London, W.C.1. The Chapter Secretary is Mr. J. Prince, c/o Ford Motor Co., Ltd., Dagenham. (*Telephone:* Rainham (Essex) 3000.)

Business Diary, an Israeli journal appearing every three weeks, condenses a great deal of current information on financial, commercial and economic affairs. The issue of August 19, 1954, the annual income tax number, gives much useful material on income taxation in Israel.

DISTRICT SOCIETIES

LONDON

THE INCORPORATED ACCOUNTANTS' LONDON and District Society held a Luncheon Club meeting on October 12 at the Connaught Rooms. The Chairman of the District Society, Mr. S. L. Pleasance, A.S.A.A., presided. The guest speaker was Major-General Sir Edward L. Spears, Bart., K.B.E., C.B., M.C. Other guests included Sir David Waley, Mr. F. P. S. Stammers, Mr. R. R. Treloar, F.C.A.(AUST.), (of Melbourne), and Mr. Leo T. Little. Members of the District Society Committee who were present were Mr. J. A. Allen, F.S.A.A. (vice-chairman), Mr. C. V. Best, F.S.A.A., Mr. W. F. C. Clark,

A.S.A.A., Mr. J. W. Cooke, A.S.A.A., Mr. W. F. Edwards, F.S.A.A., Mr. H. L. Layton, F.C.A., F.S.A.A., Mr. L. Quinton, B.A., B.SC., A.S.A.A., Mr. H. Basil Sheasby, F.C.A., F.S.A.A., Mr. F. R. Squires, A.S.A.A., Mr. S. C. Stephens, A.S.A.A., and Mr. C. J. F. Wilkinson, A.S.A.A.

Speaking on "The Fall of France," General Spears said that he had worked for a close Anglo-French alliance between the wars and he had always liked Frenchmen and the French army. But in his capacity as representative of Mr. Churchill in France in the early part of the last war, he had seen the French army disintegrate. It occurred to no one even to destroy the petrol pumps in front of the advancing German army. In response to French pleas, England had given air support so generously that it had placed this country—as anyone could see by reading Mr. Churchill's *Memoirs*—within five minutes of defeat. The French would not even hand over to us the 400 German pilots they had captured—but returned them to Germany to fight against us. What were the factors in this disintegration of the French army and the French spirit? Some were: the over-development of the defensive faculty between the wars—the "Maginot Line" mentality; the severing of the bonds of unity among Frenchmen, largely because of corrupt and mistrusted political régimes; the lack of faith in victory. France had ceased to be a unit and Frenchmen turned to the pursuit of narrow and personal interests. Two ideas were now persistent: the fear of Germany and the fear that a rearmed Germany would mean war with Russia. So France looked to others to protect her against Germany and insisted on commissions for the regulation and inspection of German rearmament. But it was regulation and inspection that fostered German rearmament last time.

Great Britain, said General Spears, had made too many sacrifices lest France went Communist. The crucial question was: what was the best protection against the Russian threat? He thought a rearmed Germany was the answer, and that France was the better for being contained between Germany, on the one side, and the U.S.A. and ourselves on the other. We should show firmness towards France, and then she would again become our good friend and ally.

Mr. J. A. Allen, F.S.A.A., vice-chairman of the District Society, gave a short speech of thanks to General Spears.

NORTH OF ENGLAND

A MEETING OF THE LUNCHEON CLUB WAS held on September 30.

A talk on "Some Current Municipal Problems" was given by Mr. W. R. Douglas, A.S.A.A., Borough Treasurer of Tynemouth, when Mr. F. Wilcock, A.S.A.A., who was to have spoken on that subject, had to cancel the arrangement at very short notice. Mr. Douglas dealt with the controversial subject of de-rating; the national valuation scheme; the problem of subsidies and grants from the State; and the possibility of revised rating areas.

The newly formed golf club had its first day out at Morpeth, Northumberland, on September 21, when it played the Inland Revenue. The result was 11-10 in favour of the Revenue, with two matches drawn.

The day was so successful that it is hoped that it will be an annual fixture.

SOUTH WALES AND MONMOUTHSHIRE

THE AUTUMN MEETING OF THE GOLFING Society was held at the Tredegar Park Golf Club on September 29. Mr. Albert Salter was captain, and prizes were presented by Mr. W. W. Stanley, President of the District Society.

The results were as follows: *Morning Medal Round.* First, Mr. J. W. H. Mitchell, who won the R. C. L. Thomas Trophy and an engraved pewter tankard; second, Mr. J. T. Jones and Mr. F. M. Forster (jointly); third, Mr. D. T. Redding. The visitors' tankard was won by Mr. T. M. Dawson. *Afternoon. Stableford Foursomes:* Mr. D. T. Redding and Mr. L. Godfrey, 33 points; Mr. H. Austin Leigh and Mr. J. A. Fooks, 32 points; Mr. R. T. Baker and Mr. J. V. Stevens, 31 points.

SWANSEA AND SOUTH-WEST WALES

Mr. G. M. Squire, F.S.A.A.

Mr. Glynn Melbourne Squire, the new President of the Swansea and South-West Wales District Society, is a principal in the firm of Ashmole, Edwards and Goskar, Incorporated Accountants, Swansea, with branch offices at Ammanford, Carmarthen and Haverfordwest and sub-offices at Newcastle-Emlyn and Milford Haven. He served articles with them, and became an Associate of the Society in 1930 and a Fellow in 1943. He was admitted as a partner in the firm on January 1, 1944. Mr. Squire has served on the Committee of the District Society since 1935 and as Treasurer since 1946.

SUSSEX

Mr. G. R. Crone, F.S.A.A.

Mr. George Rowland Crone, who was recently elected President of the Incorporated Accountants' District Society of Sussex, is senior partner in Messrs. Hilton, Sharp & Clarke, of Brighton, London and Horsham. He joined the firm in 1919, after service with the armed forces in the first world war, and was admitted into partnership in 1933. He became a member of the Society of Incorporated Accountants in 1929. Mr. Crone is Secretary of the Brighton and Southern Counties Permanent Building Society and also holds directorships in three well-known Brighton companies. He has been a member of the Committee of the Sussex District Society since its formation in 1950.

LUNCHEON TO MR. BERNARD HALSEY

Mr. Bernard Halsey, F.S.A.A., Chairman of the South African (Eastern) Branch of the Society, paid a short visit to England last month. The President, Mr. Bertram Nelson, gave a luncheon in his honour at Incorporated Accountants' Hall on October 6, the eve of Mr. Nelson's departure for the United States and Canada.

Mr. Halsey is senior partner in Messrs. Halsey, Button and Perry, of Durban and Johannesburg. He has been Chairman of the South African (Eastern) Branch since 1949.

EVENTS OF THE MONTH

November 1.—*Bedford:* "Auditing Case Law," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Embankment Hotel, at 6.15 p.m.

Coventry: "Profits Tax," by Mr. L. A. Hall, A.C.A., A.S.A.A. Hare and Squirrel Hotel, Old Cheylesmore, at 6.15 p.m.

November 2.—*Carlisle:* "Income Tax—New Business—Cessation Provisions," by Mr. L. A. Hall, A.C.A., A.S.A.A. County Hotel, at 6.30 p.m.
London: "The Bases of Assessment under Schedule D and the Relationship of Capital Allowances thereto," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

November 3.—*Hull:* Luncheon meeting. Regal Room, Ferensway, at 1 p.m.
London: Society of Incorporated Accountants' Dinner. Incorporated Accountants' Hall, W.C.2.
Newcastle upon Tyne: "Demonstration of a Profits Tax Computation," by Mr. L. A. Hall, A.C.A., A.S.A.A. The Library, 52 Grainger Street, at 6.15 p.m.

November 4.—*Lincoln:* "Practical Points in Bankruptcy," by Mr. W. Colley, Assistant Official Receiver. Great Northern Hotel, at 6.30 p.m.
London: "The Applied Theory of Accounting," by Professor F. Sewell Bray. Stamp-Martin Chair lecture for students. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
London: "The Principles of Double Entry Bookkeeping," by Mr. J. M. Keyworth, A.S.A.A. Lecture for new members of the Students' Society. Incorporated Accountants' Hall, W.C.2, at 5.30 p.m.
Oxford: "Theory of Costing," by Mr. P. N. Wallis, A.S.A.A. Joint students' meeting. George Restaurant, George Street, at 6.30 p.m.
West Hartlepool: "Demonstration of a Profits Tax Computation," by Mr. L. A. Hall, A.C.A., A.S.A.A. Grand Hotel, at 6.30 p.m.
Worcester: "Group Accounts," by Mr. P. E. Harris, A.S.A.A. Crown Hotel, at 6.15 p.m.

November 5.—*Birmingham:* Lecture on a law topic of current interest, by Professor H. Goitein, M.COM., LL.D. Joint meeting arranged by the University of Birmingham Accounting Society. The University, Edmund Streeet, at 6.30 p.m.
Brighton: "Standard Costing," by Mr. V. S. Hockley, B.COM., C.A. Students' meeting. Royal Pavilion Hotel, Castle Square, at 5 p.m.
Cambridge: "The Local Government Accountant," by Mr. H. H. Palmer, A.S.A.A. Shire Hall, at 7 p.m.
Leicester: "Estate Duty," by Mr. H. H. Monroe. Bell Hotel, at 6 p.m.
Manchester: "Profits Tax," by Mr. H. G. Phillips, H.M. Inspector of Taxes. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.
Newcastle upon Tyne: Dinner. Royal Station Hotel.

November 8.—*Taunton:* "The City Pages of *The Times*," by Mr. H. G. Hodder, Manager. Intelligence Department, National Provincial Bank, Ltd. Castle Hotel, at 6.30 p.m.

November 9.—*Dudley:* "Consequential Loss Insurance," by Mr. F. P. G. Brain. The Dudley and Staffordshire Technical College, The Broadway, at 7 p.m.
Leeds: "Current Taxation Problems," by Mr. J. S. Heaton, F.S.A.A. Jacomelli's Restaurant, Boar Lane, 1, at 6.15 p.m.
Sheffield: "The Link between Shop-Floor Records and Management Accounts," by Mr. F. C. de Paula, T.D., F.C.A., F.C.W.A. Grand Hotel, at 5.45 p.m.

November 9-12.—*Society of Incorporated Accountants.* Examinations.

November 10.—*London:* Taxation group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

November 11.—*Bristol:* "Goodwill Valuations," by Mr. L. J. Northcott, F.C.A. Royal Hotel, College Green, at 6.30 p.m.

November 12.—*Northampton:* "Cost Accounting or Cost Book-keeping?" by Mr. D. Solomons, B.COM., A.C.A., Corner House, St. Giles' Square, at 6.30 p.m.
Nottingham: Dinner. Victoria Station Hotel.

November 15.—*Cambridge:* "Machine Accounting"—demonstration, lecture and film by Powers-Samas Accounting Machines Ltd. University Arms Hotel, at 7 p.m.
Coventry: "Income Tax," by Mr. W. O. Reid, H.M. Inspector of Taxes. Hare and Squirrel Hotel, Old Cheylesmore, at 6.15 p.m.
London: "The Bank of England and Monetary Policy in Post War Years," by Mr. John Wadsworth, Intelligence Department, Midland Bank, Ltd. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Luton: "Executorship—Estate Duty Affidavit," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Students' meeting. George Hotel, at 6.15 p.m.

November 16.—*Dublin:* "The Interpretation of Balance Sheets," by Mr. H. W. Robinson, B.A.(MOD.), LL.B., B.COM., F.C.A. Students' meeting. Jury's Hotel, Dame Street, at 6.15 p.m.
London: Luncheon club meeting. "Pensions for Professional Men," by Sir Edwin S. Herbert, LL.B. Connaught Rooms, at 12.45 p.m.
Shrewsbury: "Problems in Company Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Raven Hotel, at 6.30 p.m.

November 17.—*Waterford:* "The Stock Exchange," by Mr. C. Jacob. Students' meeting. Offices of Messrs. W. A. Deevy & Co., at 8 p.m.

November 18.—*London:* "The Form of Final Accounts," by Mr. A. C. Simmonds, F.S.A.A. Lecture for new members of the Students' Society. Incorporated Accountants' Hall, W.C.2, at 5.30 p.m.
Liverpool: Dinner. Adelphi Hotel, at 7 p.m.
Oxford: "The Latest Bank of England Return and the Financial Column of *The Times*," by Mr. C. R. Curtis, M.SC., D.PHIL., F.C.S.I. Joint students' meeting. George Restaurant, George Street, at 6.30 p.m.

November 19.—*Birmingham:* Lecture by Professor D. Cousins. Law Library, Temple Street, at 6.15 p.m.
Glasgow: Extraordinary general meeting of the Students' Society. Christian Institute, 70 Bothwell Street, C.2, at 5.30 p.m.
Manchester: Members' discussion meeting. Incorporated Accountants' Hall, 90 Deansgate, 1, at 6 p.m.
Manchester: Students' annual dance. Engineers' Club, Albert Square.
Norwich: "Back Duty Investigations, Penalties and Settlements," by Mr. J. W. Walkden, A.C.A., A.S.A.A. Royal Hotel, at 7 p.m.

November 22.—*Newcastle upon Tyne:* "Management Accounting," by Mr. F. E. Nolan, A.C.A. The Library, 52 Grainger Street, at 6.15 p.m.
Newport: "General Talk on Banking," by Mr.

D. C. Ferris. Monmouthshire and South Wales Building Society, Dock Street, at 6.30 p.m.

November 23.—*Nottingham:* Brains Trust. Panel: Mr. J. G. S. Abbott, H.M. Senior Inspector of Taxes, Mr. W. A. Boot, Solicitor, and two Incorporated Accountants. Reform Club, Victoria Street, at 6.30 p.m.

November 24.—*London:* Meeting of the management group. Incorporated Accountants' Hall, W.C.2., at 6 p.m.

November 25.—*Bristol:* "Estate Duty and Private Companies," by Mr. P. E. Harris, A.S.A.A. Royal Hotel, College Green, at 6.30 p.m.

November 26.—*Birmingham:* "Flotations and Prospectuses," by Mr. C. R. Curtis, PH.D., F.C.I.S. Law Library, Temple Street, at 6.15 p.m.

Gloucester: "Costing," by Mr. H. W. Inglis, A.S.A.A. Gloucester Technical College, Brunswick Road, at 6.30 p.m.

Hull: "Sale of Goods," by Mr. H. Jubb, B.COM., F.C.I.S. Students' meeting. Church Institute, Albion Street, at 6.15 p.m.

Manchester: "Executorships," by Mr. C. L. Lawton, M.SC., Barrister-at-Law. Final Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

Plymouth: Dinner.

Swansea: "Bankruptcy Law," by Mr. J. L. Williams. Students' meeting. Central Public Library, Alexandra Road, at 6.45 p.m.

November 29.—*Birmingham:* Dinner. Queens Hotel.

Coventry: "Company Accounts," by Mr. J. E. Whiteside, A.C.A. Hare and Squirrel Hotel, Old Cheylesmore, at 6.15 p.m.

London: "Valuation of Shares for Estate Duty," by Mr. C. Percy Barrowcliff, F.S.A.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

Luton: "Income Tax—Schedule D Partnership Assessments," by Mr. L. A. Hall, A.C.A., A.S.A.A. Students' meeting. George Hotel, at 6.15 p.m.

November 30. — *London:* "Accounting Dynamics," a discussion led by Professor F. Sewell Bray. Stamp-Martin Chair research seminar. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

December 1.—*Dublin:* Students' annual dance.

Hull: Luncheon meeting. Regal Room, Ferensway, at 1 p.m.

December 2.—*London:* "Audit Procedure," by Mr. J. P. S. Edge-Partington, A.C.A., A.S.A.A. Lecture for new members of the Students' Society. Incorporated Accountants' Hall, W.C.2, at 5.30 p.m.

Waterford: "Executorship and Trust Law," by Mr. R. J. Farrell, Solicitor. Students' meeting. Offices of Messrs. W. A. Deevy & Co., at 8 p.m.

December 3.—*Birmingham:* "Estate Duty and Controlled Companies," by Mr. P. Shelbourne, Barrister-at-Law. The Law Library, Temple Street, at 6.15 p.m.

Brighton: Dinner.

Manchester: "Executorship," by Mr. C. L. Lawton, M.SC., Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

Nottingham: "The Auditor's Duties in Relation to Stock and Work in Progress," by Mr. A. C. Simmonds, F.S.A.A. The Reform Club, Victoria Street, at 6.30 p.m.

December 7.—*Bournemouth:* "Valuation of Assets with special reference to Share Valuation under Section 55, Finance Act, 1940," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law. St. Peter's Hall, Hinton Road, at 6.30 p.m.

December 8.—*Dublin:* "Private Limited Companies," by Mr. C. J. Dalton, F.S.A.A. Students' meeting. Jury's Hotel, Dame Street, at 6.15 p.m.

Southampton: "Valuation of Assets with special reference to Share Valuation under Section 55, Finance Act, 1940," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law. Polygon Hotel, at 6.30 p.m.

MEMBERSHIP

THE FOLLOWING PROMOTIONS IN, AND ADDITIONS to, the membership of the Society have been completed during the period June 9, 1954 to October 6, 1954.

ASSOCIATES TO FELLOWS

ALLDAY, Philip Frederick (*Barton, Mayhew & Co.*), London. BACKHOUSE, Richard Miles (*Russell, Durie Kerr, Watson & Co.*), Birmingham. BARD, Ernest David (*Frank A. Cooper & Co.*), London. BENTLEY, Ralph (*Woolley & Waldron*), Southampton. BROOME, Eric Philip (*Broome, Foxon & Co.*), Nottingham. BROWN, Geoffrey Howard (*C. Percy Barrowcliff & Co.*), Middlesbrough. DANBURY, Eric John (*Watson & Danbury*), London. DRIVER, John (*F. Clarkson & Co.*), Burnley. HART, Joseph (*Hart & Co.*), London. HAWORTH, John (*Rodger Smith & Co.*), Blackburn. HOCKEY, Eric Kenneth (*Cooper Brothers, Hockey, King & Co.*), Salisbury, S.R. JONES, Donald Lloyd (*Arthur Gait, Jones & Co.*), Newport, Mon. JONES, Edward Raymond (*Jones, Kent & Wheeler*), Llandilo, Carms. KING, Percy Arnold John (*Cooper Brothers, Hockey, King & Co.*), Salisbury, S.R. LLOYD, Sydney Austin (*Winder & Lloyd*), London. MOORE, Alfred Norman (*Kimberley, Morrison & Co.*), Birmingham. MURRAY, Gordon Howard (*Robert Archer & Co.*), Manchester. NEELY, Robert John (*Oughton, Boyd, McMillan & Co.*), Belfast. NORTH, Patrick (*North, Pope, George & Co.*), Transvaal. PLEWS, Philip Henry (*Allan, Charlesworth & Co.*), London. SIMPSON, George Edward (*Beverley, Simpson & Co.*), Harrow. WARD, William Wallis (*Turquand, Youngs & Co.*), Bristol. WATSON, Arthur Schofield (*Woolley & Waldron*), Southampton. WHITE, Frederick George (*Armson, Ward & Co.*), London.

ASSOCIATES

ADAMS, Sydney Howard, with Dunstan Adams & May, Nairobi. ANDREWS, John Geoffrey, with Hobbs, Peskett & Co., London. ARMOUR, Arthur Frederick, with R. M. Walters & Co., London. ASHTON, Kenneth Arthur Harry, with Howard Smith, Thompson & Co., Birmingham. ATKINSON, John Anthony, with Peat, Marwick, Mitchell & Co., Middlesbrough. BAKER, Charles Thomas, with J. A. Cook & Co., London. BANERJEE, Asok, B.A., B.COM., with A. J. Cope & Co., London. BARRETT, George Wilson, formerly with Harman & Gowen, Norwich. BASTOW, John, with Brinley, Bowen, Mills & Co., Swansea. BEAUMONT, Alan Storey, with T. E. Lowe & Co., Wolverhampton. BEYNON, William Brian, formerly with Ashmole, Edwards & Goskar, Swansea. BHARGAVA, Kamesh Prasad, B.A., with William Pickles, Manchester. BIRTWISTLE, David Garfield, with Fred Thornley, Ashton-under-Lyne. BLACK, Gerard Bernard Llewellyn, with Price Waterhouse & Co., London. BOFFIN, John William, with A. E. Quaife & Gower, London. BOGGIS, Stanley Amos, with Deloitte, Plender, Griffiths & Co., London. BOOTH, Alan Frederick, Borough Treasurer's Department, Wisbech. BOOTH, Kenneth, with Kilby, Sutcliffe & Co., Brighouse. BOWEN-JONES, Peter John Richard, with Peat, Marwick, Mitchell & Co., Cardiff. BRETON, Gerald David, with Peat, Marwick, Mitchell & Co., Leeds. BROWN, Alan Desborough, with Charles Wakeling & Co., London. BROWN, Raymond John, with Curtis, Jenkins, Cornwall & Co., Bristol. BULLOCK, John, with A. C. Palmer & Co., Leicester. BULMER, Kenneth, with Allan, Charlesworth & Co., London. CARR, Norman Joseph, with Harmood Banner, Lewis & Mounsey, Liverpool. CASLAKE, Philip, with F. W. Stephens & Co., London. CHALK, John Ernest, with Cooper Brothers & Co., London. CHARITY, Anthony Noble, with Cleaver, Somers & Co., London. CHARLTON, Kenneth, with Vasey, Oliver & Co., S. Shields. CHEESEMAN, Alan Richard, with Pridie, Brewster & Gold, London. CHOUDHURY, Kalika Prasanna, B.COM., formerly with P. K. Mitra & Co., Calcutta. CLARKE, Bernard Henry, with Holman, Pryke & Co., London. CLARKSON, Francis Hugh, formerly with A. E. Hook & Co., Ryde, I.O.W. CLAYPOLE-WHITE, Douglas Eric, with Mundy, Brewer & Johnson, Bath. CLEMAS, Lionel Walter Richard, with B. Davis & Co., London. COCKILL, Alan Reginald, with Robert H. Benson, Manchester. COMPTON, Maurice Louis, formerly with Carpenter, Arnold & Turner, Brighton. CONWAY, Thomas Henry, with Mark J. Rees, Leicester. COOK, John Alan, with Jewitt, Sparrow & Swinbank, Stockton-on-Tees. COOPER, Thomas Homer, formerly with Poppleton & Appleby, Birmingham. COPPOCK, John Trevor, with John E. Coppock, Carlisle. CRAVEN, Alfred Edward, with Forrester, Boyd & Co., Grimsby. CROSSLEY, Bernard, with Cooper Brothers & Co., Manchester. CROUCHER, Herbert Arthur George, with Morris, Crocker & Co., Portsmouth. CROXSON, Francis William Collins, with Lithgow, Nelson & Co., London. CRUM, John Robert, with Rubery & Co., Birmingham. DAVIDSON, David Frederick Alan, with Cooper Brothers & Co., London. DAVIES, Joseph Alfred Thomas, with Bretherton, Hurst & Co., Liverpool. DAWES, John Gordon, with Stephenson, Smart & Co., King's Lynn. DAWSON, George, with E. Freedman & Co., Leeds. DE, Ajayananda, formerly with G. Basu & Co., Calcutta. DEAN, Kenneth, with Hope, Halstead & Co., Bury. DEARMAN, John Charles, with Buckley, Hall, Devin & Co., Hull. DODGSON, Clarence, with Williamson, Butterfield & Roberts, Cleckheaton. DONNELLY, John Gerard, with Gardner, Donnelly & Co., Dublin. DOWGILL, Ronald, with Peat, Marwick, Mitchell & Co., Leeds. DUDLEY, Maurice, with Wall & Tanfield, Birmingham. DUIGAN, Brian John, with Barnes & Taylor, Pretoria. DUNNING, Henry Edward, with E. J. Williams & Co., Liverpool.

EAKHURST, Geoffrey Samuel, with Nasmith, Coutts & Co., Manchester. EDWARDS, John Rowland, with Harmood Banner, Lewis & Mounsey, Liverpool. EDWARDS, Ronald Frank, with Turquand, Youngs & Co., London. ELLIOTT, Leslie, Borough Treasurer's Department, Willesden, London. EMBLETON, Edward Victor, with Alan J. Gray & Son, Sunderland. ERRINGTON, Peter, with Peat, Marwick, Mitchell & Co., Cardiff. EVANS, John Parry, with Fox, Hoare, Harris & Turnbull, London. FENTON, James Raymond Rooke, with Cooper Brothers & Co., London. FENWICK, George Francis, with Cash, Stone & Co., London. FIRTH, Colin, with Smith, Dolby & Co., Keighley. FISHER, David, with H. Young & Co., London. FLACK, John Drage, with Clark, Battams & Co., London. FOALE, Robert Arthur, with Evans Smith, Boothroyd & Co., London. FORSYTHE, Sidney Joseph Alexander, with Atkinson & Boyd, Belfast. FULLER, Peter Frank, with Croydon & King, London. FULLER, Thomas Alfred, with Graves, Pond & Co., Kingston-on-Thames. GILL, Alan, with Peat, Marwick, Mitchell & Co., Middlesbrough. GLADWELL, Derek Russell, with Smith, Willcox & Co., Scarborough. GLAZIER, John William, with Norman D. Vine & Co., Leeds. GLOVER, Douglas Carmen, with Baker, Sutton & Co., London. GLOVER, John Derek, with Peat, Marwick, Mitchell & Co., Bradford. GRAY, Ronald Laurence, with Ballard, Huggins & Co., London. GREEN, Clifford Raymond, with Hodgson, Harris & Co., Grimsby. GREGG, Francis Oscar, with Woodington, Bubb & Co., London. GREIG, Beryl Joyce Nance, with H. Tarley & Co., Cape Town. GRETTON, Frank, with Higson & Co., Nottingham. GRIMSDALE, George Bernard, with Deloitte, Plender, Griffiths & Co., London. GRIMWOOD, Victor Ernest, with McCabe & Ford, Maidstone. GUEST, Jack Bernard, with Peterken, Barnes & Co., London. HAINSWORTH, Bernard, with Blackburns, Robson, Coates & Co., Leeds. HALSALL, John Ashcroft, with Hodgson, Harris & Co., Cardiff. HARDCASTLE, Trevor, with A. France & Co., Leeds. HARRIS, Trevor Henry, with Hopps & Bankart, Leicester. HARRISON, Roy, with Hodgson, Harris & Co., Hull. HAYWARD, Donald John, with Eric Phillips & Co., London. HAYWOOD, Haydn, with Mellors, Basden & Mellors, Nottingham. HEAD, Barry Ronald, with Keens, Shay, Keens & Co., Luton. HEAD, Raymond, with Chalmers, Wade & Co., Liverpool. HEANEY, James George, with Jackson, McCann & Co., Belfast. HEARN, Dennis, with Peat, Marwick, Mitchell & Co., London. HEPWORTH, John James, with Peat, Marwick, Mitchell & Co., Middlesbrough. HIGGINS, John Harrison, with Louis Nicholas & Co., Liverpool. HILTON, Albert, with J. J. Lopian & Co., Manchester. HINCHCLIFFE, Herman, Deputy Borough Treasurer, Bacup. HIRD, Eric, with Wm. Robertshaw & Myers, Keighley. HISLOP, John Samuel, with Ernest Cliffe & Co., Rhyl. HOLDWAY, Derek Dutton, with Slater, Chapman & Cooke, London. HOLLINGWORTH, Peter, with Hodgson, Harris & Co., Grimsby. HOLMES, Douglas, with Winfield, Stead & Co., Shipley. HOOK, Geoffrey Peter, with Sharpe, Fairbrother & Co., London. HUDSON, Kenneth, with Binder, Hamlyn & Co., London. HUGHES, Michael, with Cooper & Kenny, Dublin. IRELAND, Alan James, with Midgley, Snelling & Co., London. IRELAND, Dennis Leslie Roy, with Peplow & Co., Newton Abbot. JACKSON, Alan Reginald, with J. Wild & Co., Manchester. JACKSON, Kenneth William, with Edmund D. White & Sons, Liverpool. JAMES, Ronald Charles, with Kemp, Chatteris & Co., London. JEFFERY, Peter, with T. & J. L. Tunstall & Co., Warrington. JENKINS, Arthur Bryan, with Eyre & Shipton, Bristol. JOHNSON, Michael Joseph, with Carter & Co., Birmingham. JONES, Derek Theophilus, with Friend, Ellis & Co., Newport, Mon. JONES, Edgar, with Deloitte, Plender, Griffiths & Co., Manchester. JORDAN, Lawrence Arthur Ward, with Keens, Shay, Keens & Co., Bedford. KATTAN, Henry Habib, with Rawlinson & Hunter, London. KELLY, John Patrick, Exchequer & Audit Department, Bath. KENWORTHY, Eric, with T. N. Steel & Co., Huddersfield. KEYTE, Brian Edward, with Kingscott, Dix & Co., Evesham. KING, Alan Herbert, with Binder, Hamlyn & Co., London. KING, Leonard, with Beevers & Adgie, Leeds. KING-BRITTON, Peter John, with Harold Brown & Co., Birmingham. KNEALE, John, with Shannon, Kneale & Co., Douglas, I.O.M. KNEALE, Robert Arthur, with Albert Hill & Co., Douglas, I.O.M. KNIFTON, John Roy, with Pratt, Pollard & Tarry, Wellingborough. LACE, James Irving (Gasking, Lace & Co.), Liverpool. LACEY, George Isaac, with Wilkins, Hassell & Co., London. LAKE, Norman, Deputy City Treasurer, Bath. LAMB, David Cyril, with Whinney, Smith & Whinney, London. LANE, William Albert, with Addison & Co., Derby. LATIMER, Dennis George, with Evans, Davies & Co., London. LAWS, Pamela Mary, formerly with F. Roberts & Co., Northampton. LEE, David Edwin, with Bolton, Pitt & Breden, London. LEWIS, David Merfyn, with Cash, Stone & Co., London. LEWIS, John Gadsby, formerly with Wright & Westhead, Wolverhampton. LEYDON, John Aloysius, with Stokes Bros. & Pim, Dublin. LILLYWHITE, Geoffrey Allan (Buzzacott, Lillywhite & Co.), London. LIVETT, Leonard George, with Blackburns, Robson, Coates & Co., Bradford. LORD, David, with Thomas Coombs & Son Leeds. MCCORMACK, Kenneth, with Whitfield & Co., Leeds. MCDONALD, Frederick Raymond, with Stanley Blythen & Co., Long Eaton. MCFEE, George Alfred, City Chamberlain's Department, Dundee. MCKIMMINGS, Fred, with Blackburns, Robson, Coates & Co., Leeds. MCLEAN, John, with Portlock & Co., London. MCNALLY, Ronald Thomas, with Davie, Parsons & Co., London. MARGERISON, Keith, with Sweeting, Pearce, Davies & Co., Cardiff. MARTINEZ, Peter Joseph, with Hunter, Smith & Earle, Port-of-Spain, Trinidad. MILLS, Ernest Alfred William, with Peat, Marwick, Mitchell & Co., London. MILLS, Peter Derek, with W. G. Hawson, Wing & Co., Sheffield. MONGER, Peter Gordon Frederick, with Westbury, Schotness & Co., London. MORTON, Arnold, Borough Treasurer's Department, Preston. NANDY, Ajit Kumar, B.COM., with William Pickles, Manchester. NEEDHAM, Edwin Kenneth, with Peat, Marwick, Mitchell & Co., Newcastle upon Tyne. NORMAN, Eric Reginald, with Peat, Marwick, Mitchell & Co., London. NOY, Colin Alan, with D. W. H. Phipp & Co., Long Eaton. NUTT, Paul Henry André, with Peat, Marwick, Mitchell & Co., London. OFFORD, Ronald Samuel, with Oakley, Wederell & Co., London. OWDEN, Reginald Francis, with Ware, Ward & Co., Bristol. PAIN, John Edward, with Goddard, Mellersh & Lepine, London. PALMER, Arthur Ernest, with Sinclair, de Mesquita & Co., London. PARFITT, Geoffrey Clark, with Alfred Dobson & Co., Leeds. PATTERSON, Michael Stewart, formerly with A. T. Aspin & Co., Liverpool. PICKERING, Kenneth, with Alfred E. Usher & Co., Sunderland. PINCKARD, John Moore, with Smallfield, Fitzhugh, Tillett & Co., London. POWER, Gerard Noel, with Michael K. Wallace, Limerick. PRICE, Winford Hugh Protheroe, City Treasurer's Department, Cardiff. PRIDDY, David, with Clifford Hill, Mackelden & Co., Plymouth. PROUD, Kenneth Harold, with Harold Brown & Co., Birmingham. PROUDLER, John Colin, with George C. Wilkinson, Middlesbrough. RACKLEY, Leslie John, with Fieldings, Paignton. RAVENSDALE, Robert Cyril, with Nutt, Horne & Co., Derby. RENVILLE, Ronald Richard, County Treasurer's Department, Reading. RICHARDS, Lawrence Henry, with Goddard, Mellersh & Co., London. RICHARDSON, John Kenneth, with Patterson, Greenwood & Co., London. RICHMOND, Kenneth, with T. & H. P. Bee, Preston. ROBERTSON, Thomas, with James & J. H. Paterson, Greenock. ROBINSON, Geoffrey, with Wm. Lloyd & Co., Dudley. ROBSON, David George, City Treasurer's Department, Portsmouth. RUSHWORTH, Victor, with Charles D. Buckle & Co., Bradford. RYALL, David John, with Keens, Shay, Keens & Co., London. SANDERS, Geoffrey Turner, with Houghton, Charlesworth & Co., Stockport. SCOTT, James, with Walter & W. B. Galbraith, Glasgow. SEED, John Desmond, with Mellors, Basden & Mellors, Nottingham. SELLAR, Sidney Jack, with Hodgson, Harris & Co., Grimsby. SERGANT, Maurice Joseph, with Cooper Brothers & Co., London. SHAPCOTT, Peter William St. George, with Deloitte, Plender, Griffiths & Co., London. SHERLOCK, Donald Joseph, with Simon Jude & West, Liverpool. SHILL, John Heath, with Marcus Hazelwood & Co., Cheltenham. SMALLMAN-RAYNOR, Ernest John, with Burrows & White, Nottingham. SMITH, Arthur Henry, with Griffiths & Sutton, Southport. SMITH, Gordon Chester, with J. Sochall & Co., Leeds. SMITH, John Norman, with John W. Hirst & Co., Manchester. SMITH, John Roy, with Jack Ross, Manchester. SMITH, John William, with Rabjohns, Leopard & Co., Worcester. SOUTHALL, Ronald Ernest, with Cotterill, Kirk, Salt & Co., Birmingham. STANDALOFT, George Brierley, with Hodgson, Harris & Co., Grimsby. STANTON, Francis, with Moore & Smalley, Preston. STEPHENS, Denis Alfred, with Cooper Brothers & Co., London. STEWART, Victor Colvin, Department of Health for Scotland, Edinburgh. SUTHERLAND, Dennis Alfred, with Simpson, Wreford & Co., London. SYMONDS, Edward Lewis, with Keens, Shay, Keens & Co., London. TARR, Guy Paul, with Barnes & Taylor, Pretoria. TATE, John Charles, with Geo. R. Williams, Cardiff. TATTERSALL, Keith, with John King & Son, Wigan. TAYLOR, Kenneth Charles (Chas. Taylor & Son,) London. THIRLWELL, Frank Norman Spencer, with W. T. Walton & Son, London. THOMPSON, Laurence Henry, with McCann, Humphreys & Co., Manchester. THORNTON, Anthony

Joseph Kevin, with Atkins, Chirnside & Co., Cork. THORPE, Howard Arthur, formerly with Alfred G. Deacon & Co., Leicester. TICKNER, William Keith, with Cash, Stone & Co., London. TOVEY, Donald Edwin, with Graves, Causer & Co., London. TRATALOS, Terence, formerly with Shuttleworth & Haworth, Manchester. TROW, Stanley John, with G. H. C. Stanley & Co., Birmingham. TURNER, Frederick Charles, with W. B. Keen & Co., London. TWENA, Solomon Ferris, with G. Basu & Co., Calcutta. TYSON, Edward Addison, formerly with J. Jackson Saint & Co., Carlisle. VARCOE, John Hedley, with E. S. H. Brook-Smith & Co., Bristol. WALDRON, William Vincent, County Treasurer's Department, Northallerton. WALKER, Robert, with Shuttleworth & Haworth Manchester. WALKER, Robert, County Treasurer's Department, Northallerton. WALLIS, Donald Edward, with Saffery, Sons & Co., London. WALMSLEY, Vincent, with H. Moore, Blackpool. WALSH, John Francis, with Fagan & Co., Dublin. WARWICK, Reginald Stephen, with Lithgow, Nelson & Co., Southport. WATSON, Gordon, with J. W. Armstrong & Sons, Newcastle upon Tyne. WHATSON, Ronald Thomas, with Peat, Marwick, Mitchell & Co., Birmingham. WHITE, Charles Arthur, with Rabjohns, Leopard & Co., Worcester. WHITTALL, Alfred Percy, with Nyman Libson & Co., London. WILKINS, William Burnell (Swallow, Crick & Co.), Spalding. WILKINSON, Frank, with J. F. Heap & Co., Burnley. WILL, James Pratt, Town Chamberlain's Department, Peterhead. WILLIAMS, Edward Moulsdale Ray, with Yaxley, Davies & Co., Wrexham. WILSON, Bernard Cecil, with Peat, Marwick, Mitchell & Co., London. WOOLF, Gordon, with Folkes & Campbell, Stourbridge. YATES, Geoffrey Michael, with Alfred Nixon, Son & Turner, Manchester.

PERSONAL NOTES

Mr. Ernest Marples, M.P., A.S.A.A., who was Parliamentary Secretary to the Ministry of Housing and Local Government, has been appointed Parliamentary Secretary to the Ministry of Pensions and National Insurance.

Mr. W. R. Johnson, M.B.E., A.S.A.A., who had been head of the Returns and Statistics Branch of the Registry of Friendly Societies since 1940, retired recently from the public service, after 42 years in the Department.

The directors of Royal Exchange Assurance have appointed Mr. Frank E. Price, F.S.A.A., a partner in Messrs. Arthur Collins & Co., as a local director attached to the Bristol branch of the company.

Mr. David Lewis, A.C.A., A.S.A.A., announces that he has been joined in partnership by Mr. Gordon L. Bloom, B.A.(COM.), A.C.A. The practice, formerly known as Lewis, Faith & Co., is now being continued as Lewis, Bloom & Co., and the address has been changed to 13 Harley Street, Cavendish Square, London, W.1.

The partnership between Mr. E. M. Combe and Mr. W. Newman, Incorporated Accountants, has been dissolved. Mr. Combe is continuing the practice of Messrs. Combe, Newman & Co., and advises that the office has been removed to Chichester House, Chichester Rents, Chancery Lane, London, W.C.2. Mr. Newman is practising under his own name at 324 North End Road, Fulham, London, S.W.6.

Mr. H. Owen Fowler, Incorporated Accountant, has commenced public practice at 309 Little Collins Street, Melbourne, C.1, Australia.

Messrs. E. S. H. Brooke-Smith & Co., Incorporated Accountants, Bristol, have taken into partnership Mr. J. H. Varcoe, A.S.A.A., who has been associated with them for some years. The name of the firm remains unchanged.

Mr. D. A. Kater, A.S.A.A., London, has changed the style of his practice from Smith, Matheson & Kater to Douglas Kater & Co., Incorporated Accountants. He has opened an additional branch office at 113 Shenley Road, Boreham Wood, Herts.

Messrs. Stephenson, Smart & Co., have taken into partnership Mr. G. F. M. Smith, A.S.A.A., who is taking charge of their branch office in Corby, Northamptonshire.

Messrs. Fox & Co., Incorporated Accountants, Leicester, announce that Mr. F. W. Fox, F.S.A.A., has retired from the partnership. Mr. Fox was the founder of the firm some fifty years ago. The practice is being continued under the same name by the remaining partners, Mr. W. G. Fox, M.A., F.C.A., F.S.A.A., and Mr. W. Smith, F.S.A.A.

Messrs. Wallace and Somerville, C.A., Edinburgh, advise that Mr. N. F. S. Will, D.S.O., C.A., has been admitted as a partner. The name of the firm remains unchanged.

Messrs. N. T. O'Reilly and Partners, Carlisle, Penrith and Hawes, have taken into partnership Mr. J. A. Mitchell, A.S.A.A., who has been associated with the firm for a number of years.

Mr. R. O. Naylor, A.S.A.A., Kendal, has been elected a County Councillor of the Westmorland County Council. He was formerly a member of Kendal town council, and he is a liveryman of the City of London of twenty-five years' standing.

Messrs. C. R. Dodd and F. K. Dilley, of Eastwood, Nottingham, have admitted into partnership Mr. Ernest Pollard, A.A.C.C.A., who will be in charge of their Heanor office. The offices at Alfreton and Ilkeston have been discontinued.

REMOVALS

Mr. Julius Sheridan, Incorporated Accountant, has removed his offices to 5 Brighton House, Camberwell Green, London, S.E.5, and 5 High Holborn, W.C.1.

Messrs. Handley, Wilde & Charlton, Incorporated Accountants, advise a change of address to 30 Brown Street, Manchester 2.

Messrs. David Leigh & Co., Incorporated Accountants, have changed their address to 92 New Cavendish Street, Portland Place, London, W.1.

OBITUARY

JAMES GERARD O'CALLAGHAN

We have learned with regret that Mr. James Gerard O'Callaghan, B.COM., F.S.A.A., died on August 13. Mr. O'Callaghan was a native of Dublin, and graduated in the National University of Ireland before qualifying as an Incorporated Accountant in 1925. He was in public practice in Dublin for a number of years, and was associated with the Eire Electricity Supply Board as assistant chief accountant and as chairman of its superannuation committee. He is survived by his wife Winifred, daughter of the late Mr. A. E. Piggott, F.S.A.A., who was for many years Honorary Secretary of the Manchester District Society and a member of the Council of the Society of Incorporated Accountants.

STUART DEAN PAYNE

We record with regret that Mr. S. D. Payne, F.C.A., F.S.A.A., died in France on September 15. He was a partner in Messrs. W. H. Payne & Co., Incorporated Accountants, London.

Mr. Payne became a member in 1920 of both the Institute of Chartered Accountants in England and Wales and the Society of Incorporated Accountants. Shortly afterwards he was admitted to partnership in the firm founded by his father, the late Mr. W. H. Payne, F.S.A.A., who was for several years a member of the Council of the Society.

The funeral took place at All Saints' Church, Sanderstead, on September 21.

APPOINTMENTS VACANT

(*continued from page xxiii*)

UNIVERSITY OF HONG KONG

APPLICATIONS for the post of ASSISTANT BURSAR are invited from persons with good accountancy experience who hold a recognised accounting qualification.

Total emoluments for an expatriate member of staff are:

	Minimum of Scale	*Maximum of Scale*
	£	£
Single	1,240	1,535
Married	1,425	1,763
Married with children	1,621	1,991

The above salaries include a "High Cost of Living Allowance" which is liable to slight fluctuation at intervals of three months.

First class sea passages or air passages are provided for expatriate staff.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 3 Gordon Square, London, W.C.1.

The closing date for the receipt of applications in the United Kingdom and in Hong Kong is *December 1st, 1954.*